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LAST ISSUE

Latin America

FBIS-LAT-96-143
Wednesday
24 July 1996

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Latin America

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Cuba

Cuba: U.S. Envoy Cited on Call for UN Note Against Nation

PA2307150496 Havana Cubavision Network in Spanish 0000 GMT 23 Jul 96

[Report by correspondents Carlos Iglesias and Andres Fernandez, at the United Nations; from the "NTV" newscast]

[FBIS Translated Text] The United States announced today that it will present to the UN Security Council a draft resolution calling for united action against Cuba in response to the incidents of 24 February. Madeleine Albright, U.S. representative to the United Nations, reported that her country opened informal talks at UN Headquarters today on a document that would censure Cuba; however, she admitted that lengthy negotiations will be necessary, considering the differing views on this issue at this forum. Diplomatic sources have reported that several members have called for a balanced resolution in tune with one the International Civil Aviation Organization [ICAO] approved in Montreal in late June and have made numerous recommendations to change an initial proposal the United States presented. The ICAO took little note of a report that its experts prepared at the time, considered incomplete, contradictory, and manipulated. Although Albright promised to push for a document containing tough language, the inherent nature of UN resolutions prevented her from forecasting the outcome of the consultations. Cuba will air its views and try to ensure that a definite agreement is reached on this issue during the Council session to be held in public following the consultations. Informal consultations will continue tomorrow. The Security Council has yet to schedule the session to be held in public.

Cuba: Lage Discusses Sugar Production, Economy

PA2307222996 Havana Radio Rebelde Network in Spanish 1700 GMT 23 Jul 96

[From the "National Radio News" newscast]

[FBIS Translated Text] [Announcer] Carlos Lage Davila, vice president of the Council of State and secretary of the Executive Committee of the Council of Ministers, during a news conference today announced that sugar production in the harvest that just ended amounted to 4.4457 million metric tons. Reporter Demetrio Villaurrutia has the details.

[Villaurrutia] Nevertheless, he noted, this is encouraging and positive news that demonstrates we have found formulas to resist and recover:

[Begin Lage recording] Sugar production was 4.4457 million metric tons. This figure is close to our estimate of 4.5 million metric tons of sugar. Sugar production grew by 33.6 percent. This is important because it is the first time that sugar production has recovered in the special period. In the past years, including last year... [pauses] In 1994, economic growth stopped, and in 1995 there was a discreet recovery, but even in those two years sugar production continued to decrease.

Sugar production started to increase this year. As you can see, we are still at production levels that are very low considering the country's potential and even lower considering the country's needs.

This is, however, positive because there is a reversion of the situation we had been facing with our main industry. [end recording]

[Villaurrutia] Carlos Lage, vice president of the Council of State, said that sugar production definitely had a bearing, along with the result of the agricultural sector, on the GDP indexes that were reached. He said a 9.6 percent growth rate was registered during the first half of 1996.

Lage admitted these increases have a greater impact on the macroeconomy, which has direct effect on the development of the Cuban industrial sector, and not as great an impact on the population's consumption:

[Begin Lage recording] This means that results are not being expressed in consumption terms. It is suitable that results are expressed mainly in the form of solutions to the economy's fundamental problems, the most important of which is the lack of covertible foreign exchange; but results are to a certain discreet extent evinced also in the standard of living of the population. [end recording]

Carlos Lage mentioned sectors such as nickel, cement, tourism, and oil exploitation, among others, which have grown during the first half in comparison to the same period last year.

Lage said that, in spite of the current growth, the country still has the obstacle of a financial imbalance, with a 9 billion peso lack of (?liquidity), a process that slows as the concentration of money grows.

Lage said: In addition to recent results and the efforts we are making nowadays, we have to consider the tightening of the U.S. blockade against our country, as expressed in the Helms-Burton law.

Cuba: Lage Announces Financing for Next Sugar Harvest

PA2307231496 Havana PRENSA LATINA in Spanish 1718 GMT 23 Jul 96

[FBIS Translated Text] Havana, 23 Jul (PL) — Vice President Carlos Lage reported today that the upcoming sugar harvest (1996/97) will have more foreign financing than the 1995/96 harvest, representing a 33.6 percent growth rate over the 1995/96 harvest.

During a news conference this morning, the top official confirmed that sugar production rose this year to 4.4457 million metric tons, compared to 3.3 million metric tons in the preceding harvest.

Lage said that these results were achieved as the Helms-Burton law was being debated and ultimately approved last March, and since then U.S. harassment has increased and Cuba has found it difficult to obtain loans.

He failed to mention the amounts or names of those who are financing the sugar sector in advance. But on Cuban commitments to creditors from the last harvest, Lage reported the honoring of more than 95 percent of those obligations, which were granted for short-term and high-interest rates.

The U.S. legislation to toughen the blockade on the island has had more of an intimidating effect than a real impact, and Lage confirmed that the flow of investments could slow down but not stop due to the law's implementation.

Time has allowed us to prove how isolated U.S. policy stands around the world and shows that the power of that superpower has its limits and that the law has shown the limits of an irrational policy toward Cuba.

Lage stated that the Cuban economy's major problem in moving ahead is the lack of convertible foreign currency, which also has an influence in the reduction of the foreign debt that Lage claimed stands at $11 billion, mostly owed to official creditors from the Paris Club.

The official noted that no major progress has been made on these negotiations since these countries have little information about the performance of our economy. Lage added that Cuba will not accept the imposition of conditions different from those asked of any other developing country.

The vice president stated that tourism was the main engine that drove the economy toward a 9.6 percent growth rate during the first half of the year, followed by the sugar industry. He added that many other sectors in the economy are coming back to life around these two sectors.

The annual GDP growth rate [words indistinct] due to slower growth in some sectors during the second half of the year.

Cuba: Lage Views Economy for First Half of Year

PA2407062896 Havana Cubavision Network in Spanish 0151 GMT 24 Jul 96

[Opening statement by Carlos Lage Davila, vice president of the Cuban Council of State and secretary of the Council of Ministers' Executive Committee, in news conference with local and foreign reporters on 23 July at the International Press Center in Havana — recorded]

[FBIS Translated Text] Good morning. Our intention is to first give a statement and then answer the questions you may wish to ask concerning the Cuban economy's situation at the conclusion of the first half of 1996. The Helms-Burton law was approved in March this year with the intention of strengthening the blockade against Cuba and to preclude the country's economic recovery and development. We think it is important and of interest to learn at what point of the country's economic efforts we currently are.

Upon conclusion of the first 6-month period we can state that the economic recovery tendency started in 1995, meaning last year, is corroborated. This is confirmed by a 9.6-percent increase in the GDP. As we will see later on with some examples, aside from an increase in the GDP, there is an overall tendency to greater efficiency and organization in the economic sector. To give you a figure that explains this in general terms, we can state that the average salary increased 2.5 percent and productivity increased 8 percent during this first half.

We must bear in mind some factors to analyze what this 9.6-percent growth in the economy during the first half of the year means for the country.

First of all, we began with a low situation in the country's economic activities, meaning a considerable slump occurred in the country's economy in previous years. We can say that the GDP dropped 34.8 percent between 1990 and the lowest point in this situation, meaning 1993. It increased 0.7 percent in 1994, 2.5 percent in 1995, and 9.6 percent during the first half of 1996. In others words, it is necessary to admit that this important result was achieved in an economy that had experienced a considerable drop and that it expresses, not a solution to the problems or a solution to the difficulties, but a tendency, the early stages of a process, the recovery of the reconomy.

Moreover, we must also analyze the fact that the first 6-month period of our economic cycle is the half with a higher level of economic activities than the second half.

In other words, you cannot expect the same results in the second half. This has an explanation. The first half includes most of the sugarcane harvest, which begins in December, the most essential occurs between January and April. Also, due to weather conditions, the greatest volume of food production, mainly edible roots and vegetables, occurs during our winter months, meaning the first half of the year.

In other words, we believe that these results allow us to confirm the prediction that the economy will be able to grow by approximately 5 percent by year's end and not to suppose that these results will not continue to show during the second half of the year. The Cuban economy is facing a particular circumstance: blockade conditions. We have no access to foreign financing sources from any financial institution or to soft loans from any government. Therefore, the financing on which the economic recovery efforts are based are short-term financings with high costs and high interest rates. This forces us to honor these commitments with a significant portion of the new worth created as a result of the recovery efforts.

In other words, as we observe this result of the 9.6-percent increase in the GDP, we have to take into account these elements. We must also analyze another circumstance: Cuba's population growth is lower than the population growth of, let us say, Latin American countries. Our population growth is 0.8 percent, and Latin America's is at least twice as much. This means that an increase in the GDP has a larger effect on the per capita GDP in Cuba than in countries that have high population growth. For instance, if we talk about 1995, the Cuban economy grew by 2.5 percent, and the per capita GDP, by 2.2 percent.

In Latin America in 1995, its aggregate economy grew by 0.6 percent, and its GDP decreased by 1.1 percent. The circumstances under which the population grew, which was at a lower rate in Cuba as a result of the social development the revolution promoted, allow economic growth to have a larger effect on the per capita GDP.

On another subject, as is known, wealth in Cuba is more fairly distributed. International organizations have published data showing that, in 1960, 20 percent of the richest people were 30 times richer than 20 percent of the poorest people. This difference has tended to increase, and this figure, which was 30 times higher in the 1960's, is 60 times higher in the 1990's. In other words, there is a worldwide trend to further inequality in the distribution of wealth.

Given our conditions, the income difference between the higher-income population and the lower-income population are much lower. I would say that certain studies, which still have to thoroughly examine and analyze this, indicate that there is an approximately four-time difference between higher-income people and lower-income people. This is a population in which the difference between its higher-income segments and lower-income segments is proportionately lower than in the rest of the world population.

The increase in the Cuban GDP during the first half has taken place without inflation. As we know, inflation is a characteristic typical of the economies that implement neo-liberal and free-market policies, especially in underdeveloped countries. This determines the increases in consumer prices. The prices of regulated products in Cuba have remained frozen, stable; the prices of products in convertible exchange markets are also stable, and the prices in the market that freely operates according to demand and supply have tended to decrease, as we will see later. In other words, in this market, which operates under free supply and demand, we have experienced a deflation of prices.

We would like to point out that the production of exportable goods and services grew by 34 percent in the first half of the year, and gross capital, by approximately 13 percent.

These indicators serve as evidence to demonstrate that GDP growth is not entirely dependent on consumption, but also on the ability to create conditions that will ensure and provide the necessary foundation for the country's economic recovery process. As an example, if we can refer to the performance by a few of the sectors that have a tremendous weight in the country's economy, we can say the following: sugar production totaled 4.4457 million metric tons. This yield is close to the 4.5 million metric tons we had initially forecast. Sugar production grew by 33.6 percent.

The major significance of this result lies in that it is the first time that sugar production has been able to recover while the country is still going through special period conditions. These past years, up until now, in 1994 when the economic decline was halted and 1995 when a slight economic recovery was recorded, even then sugar production continued to decline. This year we were finally able to obtain some growth in sugar production levels.

As you have been able to witness, production is still somewhat low considering the sector's potential and the country's needs. Regardless of this, it is still a positive trend as relates to being able to reverse the declining pattern our main industry had been recording.

Other sugar production indicators also point to improvements in the conditions of efficiency under which sugar is produced. However, this improvement is still far from the country's capability.

Agriculture production yields increased by 5,000 arrobas per caballeria. In other words, if there are 5,000 arrobas of sugar cane, that would represent something close to 4.3 metric tons per hectares, which is still evidence of agriculture decline. The results obtained are still too low.

Industrial production yield increased from 9.91 to 10.73 percent. By this I mean that 10.73 metric tons of sugar is equivalent to 100 metric tons of sugarcane. This industrial production yield, even though susceptible to an increase, is still similar to the one recorded five or six years ago before the special period when we were producing 7 or 8 million metric tons of sugar. This is a very important indicator with which to gauge sugar production.

Direct currency expenditures, to those less familiar with the manner in which our economy works — and most people are — is a critical indicator of the country's economic policy, since no major technical adjustments have been implemented to the budget. Workers have not been laid-off; wages have not been lowered or eliminated. In other words, there have been some expenditures that remained constant in national currency so that we could continue to guarantee workers the right to employment. From the moment it was decided that to carry out this sugar harvest it would be necessary to turn to external financing, even under the difficult conditions mentioned a while ago [words indistinct] of the tonnage production of sugar was a key element, which unfortunately declined from $160 to $120 per metric ton of sugar.

The machinery used to cut the sugarcane is very important. It can double the amount of sugarcane reaped by machine every day. It is an element that will be very important later on to increase our efficiency in sugar production. This efficiency will be achieved mainly by modernizing our sugar combines and by introducing more efficient and powerful engines.

With regards to tourism, the sector grew 46 percent in the first half of the year in comparison to the first half of the previous year. We have to recall that tourism in the first half of 1995 was not higher than the amount registered in the first half of 1994. The crisis and the situation with the rafters in the summer of 1994 did have an impact on the flow of tourism to Cuba during the second half of 1994 and the first half of 1995. However, tourism has been growing an average of 17 percent every year since 1991. Based on this growth, which also includes the 17 percent of 1995, we registered a 46-percent increase during the first half of 1996. For comparison purposes, it should be noted that tourism in the Caribbean grew 6.8 percent every year between 1993 and 1995, 8.8 percent in South America, 3.9 percent in Central America, and 17 percent in Cuba. We have now registered a 46-percent increase during the first half of the year.

Tourism too has brought positive economic results to the country. The cost per dollar of revenue went from (?73) cents to (?68) cents. I am comparing the first half of 1996 with the same period in 1995. The income per tourist per day went from $80 to $87. The impact of tourism on the recovery of our domestic economy, if we measure it based on the financing provided to national production and services, grew 18 percent over the last year. That is to say, an important part of each dollar that we receive from tourism is invested in the national economy — proportionally 18 percent more than the previous year — to generate goods and services for tourism.

The markets that provide the greatest amount of tourists to Cuba are mainly Italy, Canada, Spain, France, and Germany. That is to say, they are countries with stable economies, where fluctuations due to economic and political circumstances are not to be expected, contrary to other economies with less stability. That is to say, we see significant positive results. However, this is high season for tourism. We do not expect the same increase in the second half. We expect an increase over the one registered in the second half of last year, but not as big as the one perceived during this first half.

We have started to revitalize our investments in tourism. We expect to finish approximately 4,000 new rooms this year, and this will give us still more booking capacity for next year.

Industrial production, without including the sugar industry's production, increased 10.9 percent. Nickel has a special importance in the country's economy. Growth was achieved in this sector and a production of 27,200 metric tons was achieved during the first half. This represents 31 percent more compared to the same period last year. If production continues at this rate during the second half, taking into consideration that the highest nickel production achieved in the country was 46,000 metric tons, this year we could surpass the record nickel production figures achieved in the country's history.

We must say that the Moa Nickel Plant abandoned by the North Americans when the revolution triumphed — because they were convinced it could not continue production — is not only achieving the highest daily production levels in its history; it also has a production capability that is far superior to the plant's designed capability. This has been achieved for the first time this year.

Cement production increased 23 percent; steel production increased 19 percent; oil production increased 3 percent; and oil refining increased 46 percent. This is an important element. In fact, we would have preferred to attain a higher level of refining. Our oil import costs have been reduced by importing a higher volume of crude oil and oil by-products. The same goes for transportation costs, given conditions at the two main refineries, in Havana and Santiago de Cuba, and the fuel distribution terms. We had not been able to optimally use the refinery, mostly for financial reasons, so it is important that we have increased the country's oil refining levels.

The most important results achieved in the agrarian production deal with the production of tubers and vegetables, which increased 25 percent. There are no significant variations in other production activities, meaning the production of other foodstuffs, only in the production of tubers and vegetables. Tobacco production increased 30 percent — over 700,000 quintals were achieved in this sector, compared to the 550,000 quintals achieved last year. There is an important fact: Outer leaf production for export purposes increased 4.5 times compared to last year. In other words, conditions were created so rolled tobacco production can undergo an important increase in 1997 and the next year, because harvested tobacco undergoes a lengthy drying and treatment process; and the results of a harvest are generally expressed by the tobacco exported the next year. This increase in the outer leaf production is very important as far as export tobacco is concerned.

Citrus production increased 10 percent. Export volumes also increased, above all the volumes of concentrated citrus juice. We can say that the conditions in which these positive results were achieved, from the perspective of a confirmation of the Cuban economy's tendency to recover rather than the perspective of a solution to our problems, are not favorable at all.

First of all, this occurs in the midst of a blockade, a blockade strengthened when the USSR disappeared, a blockade that was strengthened even further by the Helms-Burton law. We will briefly refer to the effects of the Helms-Burton law later on.

We felt the effects of this law before it was approved. The law has been causing damage and has had negative effects in the Cuban economy since its approval was sought — and also after the law was approved.

From the perspective of international market prices, this has not been a favorable 6-month period for the Cuban economy. Imported product prices increased 13 percent. We import fuel and food, and we all know those product prices increased in this 6-month period; the prices of our export products dropped 7 percent. From the perspective of the correlation of international market prices, this has been an unfavorable 6-month period for us.

From the perspective of the weather, this has not been a catastrophic period or a period of great damage to our economy, but it has not been what we could call a favorable period either.

You will recall that practically a fourth of our tobacco crop was lost in the rains early in January. In the middle of the tobacco harvest, during the dry season, we had rainfall of 600 mm within 24 hours in Holguin. This paralyzed the harvest.

Certain weather conditions were not the most favorable for a good outcome, mainly in the agricultural production. Due to these factors, efforts exerted and results achieved in this 6-month period are particularly important because they were achieved even though we faced these circumstances.

If we now refer to the internal financial situation, we can say that liquidity, meaning the money in savings accounts and in the people's hands, totals 9 billion pesos at the end of June 1996 — 24 percent less than in June 1994, when we began to adopt measures to reorganize our domestic finances. You may recall that these measures were basically intended to increase the prices of nonessential products; to improve the enforcement of taxes in the state sector and the private sector — the economy's self-employment sector rather than workers who earned a salary — and to reduce free services.

Basically, the most important effect in the reorganization of our internal finances is seen in nonessential product prices. In the unofficial market, the peso's currency went from 150 pesos for one dollar to 22 pesos for one dollar. This means that the peso, the national currency, has become six times stronger in two years. Our opinion is that the results of this process are positive.

Liquidity dropped 250 million pesos during the first half of 1996. As you can see, the rate of the decrease of liquidity is better than the one in previous periods. It was slightly more than 700 million pesos during the first half of 1995, and it is only 253 million pesos now.

This tendency for a decrease in the amount of liquidity in the hands of the people is good for securing a better correspondence between the amount of money available and the amount of products being offered. This is a necessary condition for better economic performance.

If we compare the first half of 1996 with the first half of 1995, the dollar-peso exchange rate went from 35 pesos to 22 or 25 pesos for a dollar.

I can say that, in the execution of the budget, results are favorable. Expenditures for the first half are in line with plans, and revenues are above by more than 4 percent. The tendency for diminishing subsidies to state enterprises continues; there is greater discipline in the execution of budgets by state institutions.

You will remember that, in 1993, the budget deficit in relation to the GNP was 33 percent [words indistinct], if I remember well. In 1995, this deficit was 3.5 percent, and judging from the results of the first half of the year, this deficit will conclude the year under 3 percent.

What is the meaning of these results to the standard of living of the people? First, as I have mentioned, the GNP figures and the country's economic recovery do not have an expression in [word indistinct], but some indicators, some factors, are favorable. [one-minute passage indistinct]

The blackouts have diminished. At times, in the summers of 1993 and 1994 we had them for 14 or 16 hours daily. Now there is a weekly, an eight-hour period without electricity, which normally is not implemented. Sometimes these periods have been longer; there have been unexpected interruptions, but as a rule, this electricity-interruption program, which is linked to the capabilities of the thermo-electric plants and to the availability of fuel, is still necessary. This program has not been totally fulfilled. Electrical services to the population have improved compared to 1993 and 1994.

During this half of the year, the people's income has increased by 7 percent in comparison to the first half of last year. It is true that not all sectors grow alike. The famers and cooperative sectors are growing more; the revenues of the state sector have grown also, by 2.7 percent.

We are talking about averages. This does not mean that revenue has increased for all workers and all sectors. A significant number of sectors and workers find that their revenue is the same, but there has been this general increase in revenue to the population, and this is positive.

The sale of products from agricultural and livestock markets have increased by 27 percent, in comparison to the same period of last year. The prices on these products have dropped by 35 percent. Of course, I am comparing the first half of 1995, I repeat this. To have valid data, we have to look back at how it was one year ago, not last month, or the previous months. This tendency is occurring. We know that the magnitude of the products being sold in the agricultural and livestock market does not satisfy the needs of the people and that prices, in spite of price reductions, are still high for the large majority, for the majority of the people. However, this, as a tendency, as an evolution, is a positive element.

The industrial production sector increased its sales by 86 percent. Sales in foreign exchange stores increased 33 percent. If we recall, approximately 5 to 10 percent of the population had access to convertible foreign exchange when the holding of convertible foreign exchange was depenalized in 1993. Approximately 40 percent of the population have access to foreign exchange currently. However, many people only have access to it occasionally and in very small quantities. People get foreign exchange from remittances that are banned but still arrive; from incentives; through foreign exchange houses — this, however, only applies to a very small number of people — and from people who travel abroad or whose work is linked to the foreign sector.

The amount of people who have access to convertible foreign exchange has increased, and sales in this market have increased 33 percent.

We have established specific incentive mechanisms for the economic sectors that have a certain degree of stability in their operations, and we guarantee their raw material. We have introduced changes in the wage scales so as to link a wage sector to the results of production and link incentives to overcompliance in production.

Currently, there are approximately 1 million workers under the Cuban convertible pesos incentive system or equivalent mechanisms. They, thus, have a possibility — still a very limited possibility — of solving a few of the important needs that have accumulated and have not been satisfied during the special period years we are living through. Thus, it can be said that consumerism is not the main expression of these results. It is necessary that the main expression of these results be geared to the solution of our basic economic problems.

The biggest one of our problems is the lack of convertible foreign exchange. In a small measure, however, it has also translated into improved living conditions for the population.

I would now like to refer to the fundamental economic problems or to some of the country's fundamental economic problems. I have concentrated my attention on our positive results because this has been the predominant trend during this half of the year and for your benefit, because if I concentrate on positive aspects we can end in less than an hour and if I talk about our problems we will need several days.

I am going to try to summarize the fundamental problems the best I can. First, the lack of convertible foreign exchange. The deficit in the country's foreign financial balance. Despite last year's results and the ones registered in the first half of this one, we cannot say that there has been a substantial improvement in this situation. I would say that the situation continues as difficult as it was in previous years.

This is largely because of the reasons I have mentioned previously. I do not think any country, such as ours, has been subjected to the pressures and circumstances of having to further its economic development without external financial resources of any kind. It is really a very difficult situation.

In addition, the blockade situation imposes a financial exchange that is much more unfair and inequitable than the one received by any other country. In addition, we only have access to short-term commercial and banking credits with a high cost. As a rule, the cost of the credits that the country obtains are 30 percent higher than the ones in regular market conditions. The situation is caused by the blockade and the U.S. hostility against the country. It deprives the country of important quantities of resources which, I would say, could be used to accrue gross capital.

However, we have to work with terms that are unfair and inequitable; even more so than the terms given to other underdeveloped countries, which are already unjust.

It is a well-known fact that the world economic exchange is unequal. However, in our case, the situation is especially negative, and this makes our economic recovery phase more difficult and slower.

Another important problem is the imbalance in our internal financial situation. I have told you about our positive results. However, the process has not concluded. That is to say, we have not achieved the necessary internal financial renovation. We still have 9 billion pesos circulating. We anticipate that difficulties will increase. Things will get worse in the measure that there is less money, and it is concentrated in fewer hands.

The internal financial reorganization will get more complicated and difficult. We will have to present challenges and make important decisions for certain groups. It is necessary that we continue to advance to achieve the goal of solving our main problems. We, of course, have to establish priorities in this respect.

In the third place, we have an important dependency on fuel imports. Practically 33 percent of all our imports and import resources are attributed to fuel imports. The use of fuel has increased approximately 10 percent. The economy and our need for fuel have increased almost parallel to each other. Our need for fuel is greater than our economic increase.

This is explainable, first, because we have decided to import more fuel to be used, mainly, to generate electricity, and second, because several of the sectors that bolster the country's economic recovery consume large amounts of fuel. They are the steel, cement, nickel, and sugar-producing sectors.

Third, because in the country's economic structure, the industry and transportation sectors, in general, have technology that requires large amounts of fuel. That is to say, this is a specific problem, just to mention another one of the many we have. These problems become more significant as the recovery process advances.

If we could list a fourth problem linked to everything that has to do with the economic reorganization, when the USSR disappeared, our first effort was to seek new markets for our products. However, we now have to take over these markets, consolidate our presence in them, and be competitive to remain and develop ourselves in these markets.

Some of our industries have no significant development prospects, given the new conditions, even though they had them when we maintained relations with the USSR. They now need to be reoriented or redesigned.

This process is also linked to a reduction in the labor force, and there are significant issues the country has to resolve and efforts it has to make. If I am briefly referring to this, among many other problems, it is only to attempt to place them in context, because these results are taking place amid significant difficulties and amid a big effort the country must make to resolve the problems stemming from a complete and abrupt change in its foreign economic relations, under U.S. blockade conditions.

Finally, I will briefly refer to the Helms-Burton law. First, we could say that this law is an expression of how impotent U.S. policies on Cuba have been. It is the impotence of an empire against the dignity of a nation. Actually, the blockade policies had been defeated. More than 30 years of blockade failed to prevent the country from developing itself. This was true thanks to relations with the USSR and the socialist field and thanks to major cooperation with the USSR and the socialist bloc.

However, the country developed itself, economically and socially speaking, under blockade conditions.

The USSR and the socialist bloc disappeared, and the blockade was not eliminated. It was toughened, and the Torricelli law was approved in 1992 or 1993. We could say that, under the conditions of a vanished USSR and a toughened blockade, the Cuban economy started recovering in 1995. This means the Torricelli law was defeated; it was even further defeated by the economic results of the first half of 1996. The Torricelli law toughened the blockade, and an entire set of policies to toughen the blockade — which are expressed not only by the Torricelli law, but also under conditions in which it was supposed that the country had to practically disappear, because the USSR had already disappeared — were implemented.

All this was defeated, because the country withstood and started recovering.

Now there is a new law. First, we could say that the issue of nationalized property, which is a basic conflict in relations between the United States and Cuba, is again in the spotlight now that the other arguments disappeared. For years, this was an issue that had been practically forgotten, an issue that was not in the middle of the relations between the United States and Cuba and in U.S. charges against Cuba. This means that [words indistinct] the danger Cuba poses for the United States, Cuba's help to guerrillas in Latin America, and the Cuban presence in Angola and Ethiopia.

These are arguments stemming from different circumstances; they cannot be used at this time. The issue of nationalization becomes essential to justify the toughening of U.S. policies on Cuba.

There has been a great deal of manipulation on this; there is talk about properties that used to belong to U.S. citizens and that Cuba stole. The owners of the industries or land in Cuba were not U.S. citizens; they were major transnational companies. It was not theft; it was a nationalization according to Cuban laws and international law. If we talk about theft, we could investigate under what conditions part of these properties were acquired, because what no one has ever talked about was the fact that the governments that existed in Cuba before the victory of the revolution were absolutely corrupt; they were submissive governments. We could expect any type of negotiations under these conditions.

However, an essential part of the issue is that Cuba never rejected the possibility of indemnifying the former owners, whose properties, I repeat, we nationalized according to national laws and international practices, because Cuba is not the first and only country in the world where nationalizations have occurred. Cuba is not even the first country where U.S. properties were nationalized.

However, there is a law of this nature. With Switzerland, France, the United Kingdom, Italy, Canada, and Mexico, there were agreements among the governments, agreements that allowed the indemnification of their owners. The same goes for Spain. We have already indemnified those I mentioned first, and we are indemnifying those in Spain. There were agreements with the governments, agreements through which former owners could be indemnified. We even have to say that some of these companies that owned properties in Cuba are now investing in the process of opening Cuba to capital investments, a process on which the country is embarking.

It is U.S. policy that has prevented the possibility of having these U.S. properties or enterprises indemnified.

This has been our position from the beginning that there can be a government-to-government agreement. Time has gone by, the country has endured the conditions created by the blockade, and circumstances such as the damage caused by the blockade cannot be excluded from a government-to-government analysis, but this is really the only possibility.

The law places U.S. property owners on the same level as property owners who were associated with the Batista regime and who left Cuba, with assassins, torturers, all sorts of mafia, and therefore the possibilities the U.S. enterprises had are practically nullified. We have read declarations made at the U.S. Congress by representatives of U.S. claim-makers who are questioning aspects of Article III of the Helms-Burton law.

The law does not favor or benefit in any way the former owners of property in Cuba.

The law's effects on Cuba are negative, not so much because of the implementation of the law but because of the intimidating effects, the concern it can create and that it creates for a significant number of enterprises and institutions that have relations with us.

As I said a while ago, this effect was produced from the moment the bill was being discussed: it has slowed down investments, delayed decisions, lowered the amount of risk enterprises are willing to run in Cuba, and made negotiations more difficult. There is damage. It has been occurring and will continue occurring.

We cannot quantify this damage or measure the extent of the damage in the next few months. What we can say, considering the experiences we have had since the days the bill was discussed and later approved, is that the country has the capability to face these problems. We will suffer the effects of the law but we will find solutions to the problems. Time is on our side, not only because we are right but also because as time goes by we will be able to know exactly the limitations of the law, the ways to evade the law, in case the law is not withdrawn or voided at a given moment.

That is, we are not underestimating the effects of this law because we have seen them. We cannot quantify the damage this can produce in the next few months. The United States has much power in the world. It is the world's foremost economy. A significant number of businessmen and businesses throughout the world have some link or another with the United States and, even if their participation in Cuba is not punishable by the Helms-Burton law, the possibility of measures being adopted against those enterprises is a source of concern.

To this we may add the effect of the extreme-right people and groups, Cubans in the United States, who have unleashed a campaign that includes the preparation of lists, thus elevating even more the possible brutal effects of the law on enterprises from other countries.

The law cannot prevent a continuation of the opening to foreign investments in Cuba and will not halt foreign investments in Cuba. First of all, there are tens of thousands of enterprises throughout the world that have no relations with the United States. Not only will they have the opportunity to invest in Cuba and to do commerce with Cuba, they will also find in Cuba the only market where they do not have to compete with U.S. enterprises.

Second, there are many enterprises that may invest in Cuba without this investment or commerce being associated with the so-called trafficking in U.S. properties.

Third, many world enterprises are not prepared to accept impositions from governments and enterprises alike. They are not prepared to accept impositions resulting from the irrational policy of a government of another country, and they will either directly confront the law, or intelligently evade the law, because we must say that under the globalization of the world's economy it is fairly easy to evade that law, from a legal point of view.

Evidence of the fact that we acknowledge that we are having greater obstacles and difficulties and that the country's economic recovery effort will not be stopped is that the enterprises participating in investments and commerce with Cuba have practically unanimously ratified the continuation of their presence in the country, in spite of the Helms-Burton law.

The fact is that companies taking part in investment and trade with Cuba have practically unanimously ratified their continued presence here, despite the Helms-Burton law, which is something we notice objectively. We have on the one hand 25 new economic associations that have formed after the Helms-Burton law was enacted; some with a certain importance. There are 140 projects of new association currently being negotiated and that continue being normally analyzed after the approval of the Helms-Burton law.

In other words, I reiterate, the Helms-Burton law creates obstacles for us, it is creating obstacles that could be worse; it creates some additional uncertainty, because we have no way of knowing for sure how much it can affect things. But we have the possibility of coming out ahead; the country has the force to come out ahead.

If the blockade policy was destined for defeat and the destiny of the Toricelli law was defeat, then the destiny of this law will be defeat.

Last, if we are to review the results of the approval of the Helms-Burton law from the day it was enacted up to today, even taking account the damage and problems it has caused us, we can say that the law confirms how isolated U.S. policy is in the world with regards to Cuba. Its policy isolates the United States more in relation to the world than it does Cuba.

Something that is also very important is that the law teaches us that the U.S. Government and the United States have great power in the world, but there is a limit to that power. The imperialist haughtiness and arrogance has limits and the law has shown the limits of this irrational policy.

Finally, we can also say that up to today the Helms-Burton law has created more problems for the U.S. Government than for the Cuban Government.

Cuba: Castro Closes Youth Congress 20 Jul

PA2407001096 Havana Cubavision Network in Spanish 1722 GMT 21 Jul 96

[Speech by President Fidel Castro Ruz to the closing ceremony of the Second Pioneers Congress on 20 July at the Conventions Palace in Havana — recorded]

[FBIS Summary] After greeting the pioneers, teachers, guides, guests, and comrades who participated in congress, Fidel Castro begins his 95-minute speech by saying that it is not easy to address children and youths at an event like this after seeing what they have done and are capable of doing. He praises their work, and notes how much they can encourage and influence their elders.

He then expresses his satisfaction for the way in which talents, abilities, knowledge, character, organizational spirit, awareness of what they represent, what they are, and will be, have been developed among pioneers.

Stressing this point, he says: "You are aware that you are the future, and the future will not be easy at all. You admire us, who were pioneers of this revolution, but we admire you more [applause] because your generation will have more difficult tasks than those we had. A pioneer girl mentioned things you were not involved in, and things in which you are involved now. You are the pioneers of the special period, and we are encouraged and motivated by the behavior of the pioneers of the special period.

"It is one of the most difficult periods in the history of our fatherland; the fatherland you would never think of losing [1-minute break in reception] and we say to ourselves: What a wonderful generation this is, which tomorrow will face such difficult tasks. I say difficult tasks because we have an idea of the situation in the world we live in, and we know very well that the problems in the world are worsening."

"In addition to our separate battle as a nation in our struggle against the imperialist monster — which has not given up its attempts to destroy our fatherland, our independence, and our revolution, which would be destroying everything — aside from that struggle we are waging, which we are waging successfully... [pauses] Everybody thought that the Cuban revolution would fall one week after the disaster that occurred in the socialist bloc and a few days after the disappearance of the USSR.

"We were alone, alone, pioneers, against the blockade, threats, attacks, against the most powerful imperialist power that has ever existed in history. That power has enormous resources — economic, political, technical resources — it practically owns the most important mass communications media in the world. Nonetheless, no real Cuban revolutionary ever doubted we were capable of resisting or struggling. That is why the world increasingly supports and admires our people, who are fighting in every line and on every front. They want to crush us with the blockade and with the enormous difficulties that losing the allies of our revolution has meant for us."

Castro explains the economic difficulties the country has gone through and the way in which people have faced those difficulties. Then he says: "A revolution that has men and women like you, who have the convictions you have expressed here today so enthusiastically and intelligently will never be defeated! [applause] The world in which you will live — not when you are my age, or the age of the comrade invited by the leaders of the congress, not when you are 50 or 40 years old — but right now, you are practically facing [10-second break in reception] with more problems every day." Castro compares socialism and capitalism, criticizes the media in the west, saying that it serves the particular interests of the rich and powerful.

He compares health and educational services in both systems, praising the achievements of the revolution despite the blockade.

With regard to sports, Castro says: "Today, we watched here some images of the Olylmpic Games. How is one to explain that Cuba can be there with such a large delegation? [applause] It is considered among the top five or six delegations of those attending the Olympic Games, despite the effort by imperialism to turn our athletes into professionals, to buy athletes by investing millions and millions, since it cannot defeat Cuba in the field, in the struggle."

Noting the importance of security institutions, Castro stresses: "An army without people can be defeated, but people who become an army will never be defeated!" [applause] He says that they must be prepared for the great challenges that lie ahead in the future, but not only with rifles, as today they have shown that they have a more powerful weapon: awareness, patriotism, pure ideas, and strong values.

He encourages them to increase their knowledge to face the future world, which will be a scientific and technological challenge, noting that Cuba is an exception in the Third World in scientific development. He stresses the importance of mastering computers, electronics, and the media.

Castro then deplores the fact that there is a shortage of some school supplies, but says that the state has made this a priority. Castro then praises the delegates' ability to speak and express themselves, says they have discussed problems intelligently, and says that they have confirmed the importance of the Pioneers organization in Cuba and that the Second Pioneers Congress will become history. Castro says he is proud of them and thanks them for the great present this congress has given his generation.

Castro's words are followed by rhythmic applause, chants, and slogans. Children shout and blow whistles. They chant, "Fidel! Fidel! Fidel!" and other slogans.

Castro goes on: "Would we have liked to live through what you are living through today when we were students, when we were in school? Would we have liked to have the knowledge you have today, the personality you have today? Yes, we would have. We would have liked that very much. In that case, however, we would feel happy, and not sad [words indistinct] [applause]. Is this envy for your future? Yes! How we would like to be your age, to keep on struggling, or to begin the struggle you are just starting [applause] in order to participate physically and mentally in that struggle.

"We have told you we will always accompany you with the ideas and the influence that we, and those who came before us, can have in our youth. We can only regret not having done more, or not doing better the things we have done. We can categorically say that the men and women of my generation did our part with all the love a human being is capable of feeling. Truly, we did it with infinite love. Today, you do not have to thank us. We are the ones who must thank you. [applause] In addition, you have been so affectionate and loving toward us, you have had such fraternal and gentle expressions toward us, that we are really moved. You have delivered speeches. Many of you congratulated me on my 70th birthday.

"In reality, we have never celebrated birthdays, not even in the newspapers. Only in recent times, some people have taken the liberty, sometimes indirectly, of mentioning the birthday of one of us. We have always been against celebrating, and there will be none this time either. There are expressions from friends, abroad and here. Some friends have even sponsored international contests, and have given that date a high importance. I assure you that I never imagined [12-second break in reception] that self-sufficiency that young people have. They believe that life is eternal. They believe that there is plenty of time ahead to do things.

"Now all of a sudden we find out that almost everything is behind, and that life has its limits. Believe me, it is not easy to adapt mentally to the idea of being 70. I remember that many times when I heard that someone was 70, I thought: What an old man! He is really old! And not only those who were 70, but also those who were 60 or 50. There were times when someone who was 30 seemed old to us.

"When we began the armed revolution, and before that, all of us were very young; we were very young when the Moncada Assault took place. We must adapt our minds, and should not forget that we are not your age. Now, with so many things you have said about my 70th birthday, I will really adapt. [applause] [1-minute break in reception] first of all, for you, for the great many well-educated and intelligent young people the revolution now has."

Castro praises the work carried out by teachers, doctors, and nurses, who made it possible to maintain a low child mortality rate during the special period.

Castro says: "Our child mortality rate is lower and there is greater life expectancy in our country than in the U.S. capital. [applause] I feel happy — personally, since we are discussing my birthday — I must add that I feel happy, as we all do, that a considerable number of new cadres have replaced the first generation of this phase of the revolution. We feel happy because you are in solid and firm hands: the party and the state's leadership, which is basically responsible for the country's destiny. We are happy about the human and revolutionary quality of the immense majority of our people. We are happy because the seeds we have planted have fully borne fruit. [applause] Men are transitory, the people remain; men are transitory, but ideas remain; men are transitory, but the sense of justice, of brotherhood, and equality among human beings, the right to defend their values, their hopes, their happiness [15-second break in reception] We will be ready for the future. They will not defeat us, as you said, today, tomorrow, or ever. [applause, shouts, whistles]"

Later on, Castro says: "The methods imposed in this unipolar world by U.S. hegemonism worsens the situation everywhere. They have forced governments to sell all the people's properties, state properties; they have nothing left, many states have sold everything and are now in hands of large private corporations. We have had to adopt measures to [12-second break in reception] have had to do things we did not like, some of which have had consequences you have mentioned here [25-second break in reception] We will never stop defending our ideas or our system. I have insisted on this, because I want you to be aware of this."

Castro adds that countries are trembling today not because of the situation in Cuba, but because of what can happen to them, when they see the United States acting as moral judge and giving certificates of good conduct that create problems in other countries. He says: "They forbid entry to the United States to heads of state; Yankee ambassadors act more and more like proconsuls, meddling in the internal affairs of all countries. They create brutal laws such as the Helms-Burton law that has startled the world, that has even created fears, as it is a flagrant violation of the sovereingty not of one country — they have acted against our sovereignty for more than 35 years [40-second break in reception] it worries us when we look at the international outlook. That is why I want you to be aware of these things. You will remember. You can see these things.

"You will hear about a so-called neo-liberalism [words indistinct] the state sells everything, pure capitalism, not a single people's property, everything is owned by the multinationals and private interests. Unemployment is increasing, budgets for social security, schools, and hospitals are being reduced. All these changes are taking place, and we can see it every day."

Castro ends his speech by saying: "We leave this congress with an infinite confidence in the revolution, an infinite confidence in the people, an infinite confidence in the future, no matter how difficult it may be, and an infinite confidence in victory. Thank you pioneers! [applause] Thank you! Fatherland or death! [crowd replies: We will win!] No, I forgot to say socialism or death! socialism or death, fatherland or death! [crowd replies: We will win!] We will win!"

Cuba: Spanish Leader's Comments on U.S. Law Noted

PA2307142096 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 18 Jul 96

[From the "NTV" newscast]

[FBIS Translated Text] Commander in Chief Fidel Castro, first secretary of the Cuban Communist Party [PCC] Central Committee, met Julio Anguita, general coordinator of Spain's United Left, and his delegation during their visit to Cuba at the PCC's invitation. The leaders held a friendly exchange on the current world scene and the activities of both political forces in their [words indistinct] Anguita highlighted the traditional [word indistinct] of the United Left with the Cuban people's struggle to defend its national independence and sovereignty and strongly condemned the Helms-Burton law. Carlos Lage, a Politburo member, and other Central Committee officials attended the meeting. Lage and Yadira Garcia, also a Politburo member, took Anguita on a tour of the Varadero tourism center: The tour began at the central oil enterprise's collection center [centro colector], where they received an extensive briefing on production and prospects for the country's largest oil wells. Anguita was particularly interested in the progress of joint operations with foreign enterprises, considered to be very positive, and success in protecting the environment thanks to the use of digging systems using Cuban technology. Matanzas oil workers have committed to extracting 1.1 billion metric tons of oil this year and showed an appreciable leap in efficiency, stemming from proper work conditions and organization. Anguita also visited Melia Varadero Hotel, one of the hotels built with joint Spanish-Cuban capital and managed by the Sol-Melia group. Manager Carlos Martinez noted the group's satisfaction with the business and with the staff's professionalism. The Spanish leader also spoke with Spanish tourists vacationing in Cuba, who took this opportunity to address different topics and take family photographs. Anguita arrived in Cuba on 15 July; he will depart on 18 July, after holding several meetings on the Cuban situation.

[Havana Radio Rebelde Network in Spanish at 1155 GMT on 17 July adds during the regularly scheduled "Doing Radio" newscast: "Commander in Chief Fidel Castro met Julio Anguita, Spanish leader and politician, and his delegation on 16 July. The leader of Spain's United Left described the EU's response to the Helms-Burton law as quite adequate and proposed creating a bloc of countries to defend international law and sovereignty against this anti-Cuban law. Anguita and Jaime Crombet held an impromptu news conference at the Cuban parliament, during which both leaders discussed the special relations that have linked Spain and Cuba for centuries, sustained by family, cultural, and historic links. Anguita will visit the Varadero tourism center and the Foreign Cooperation Ministry today."]

Cuba: Namibian Foreign Minister Rejects Helms-Burton Law

PA2307163896 Havana Radio Rebelde Network in Spanish 1700 GMT 17 Jul 96

[Report by Zenida Costales; from the "National Radio News" newscast]

[FBIS Translated Text] During a news conference this morning, Namibian Foreign Minister Theo-Ben Gurirab, who has been visiting Cuba for the last three days, rejected the Helms-Burton law. Zenida Costales reports.

[Costales] The Namibian foreign minister expressed his satisfaction with his visit to Cuba and said his visit has concentrated on two fundamental objectives: the status of bilateral relations and the possibilities of furthering cooperation between both countries. In this regard, he said Cuba and the African country had signed very important agreements in the education, health, and cultural sectors.

On the Helms-Burton law, Theo-Ben Gurirab said:

[Begin Gurirab recording, in English with passage-by-passage translation into Spanish] My opinion on the Helms-Burton law is that it is still a blockade but, rather, under another name. The blockade, which has existed more than 30 years, is intensified and upgraded by the United States against Cuba. As a liberation movement, we condemn it, and we as a sovereign state condemn it. We believe there should be talk of cooperation instead of confrontation in view of the talk of an emerging new world order. [end recording]

[Costales] Cuban Foreign Minister Roberto Robaina and the Namibian minister are signing an air transportation agreement at the Foreign Ministry at this time.

Cuba: Council of Ministers' Fernandez on Defections

PA2307160796 Havana PRENSA LATINA in Spanish 2137 GMT 21 Jul 96

[FBIS Translated Text] Atlanta, 21 Jul (PL) — Jose Ramon Fernandez Alvarez, vice president of Executive Committee of the Council of Ministers, emphasized today that Cuban athletes and trainers are striving eagerly and positively to keep the commitments they made before they left for Atlanta.

The Cuban delegation's morale and discipline are very high, Fernandez said. Fernandez is attending the Olympic Games as a member of the Executive Committee of the Pan American Sports Organization (ODEPA).

In statements to PRENSA LATINA, the Cuban leader referred to the unique and complex features of this event.

To the extent that commercialization and professionalism have entirely undermined the games, it becomes more difficult to win a medal or to reach the finals," Fernandez indicated.

The effort to reach the podium is very strenuous, therein lies the value of judoist Estela Rodriguez's (72 kg) silver medal, and her team partner Diadenis Luna's (72 kg) bronze medal won during the first two days of competition.

Dozens of countries and thousands of athletes would have trembled with joy to have obtained the high marks reached by the Cuban athletes, Fernandez said.

Moreover, nobody predicted a silver medal for fencing expert Ivan Trebejo. That result has filled us with joy, Fernandez added.

Regarding reporters' rumors regarding the opening of a new house by counter revolutionaries from Florida to encourage defections, Fernandez said: "Nothing surprises us from these kinds of people who continue the same contemptible behavior. They will not succeed in that direction."

If that were to occur, Fernandez described this action as an insult to the Olympic Charter which states that during the celebration of the games no actions that may threaten or affect the integrity of the members of any delegation will be encouraged at the site of the games.

The disproportionate commercialization of the games observed at the game sites are increasingly frustrating according to the Cuban [words indistinct].

Regarding this issue, Fernandez argued: "If the IOC [International Olympic Committee] does not put a stop to this commercialization and does not grab the bull by the horns, money will destroy everything that remains honest, educational, and noble in the Olympic Games.

What we observed in Atlanta greatly affects the authority of the Olympic family and its current directors, Fernandez added. This opinion is shared by many leaders, delegates, officials, and reporters. I would like to be optimistic and believe that everything has not yet been lost," Fernandez concluded.

Cuba: Vice Minister Urges Workers To Improve Services

PA2307160996 Havana Radio Rebelde Network in Spanish 1155 GMT 17 Jul 96

[From the "Doing Radio" program]

[FBIS Translated Text] The initial review of the eastern provinces' food preparation, trade, and service sector has ended in Granma Province. (Irma Teresa Consuegra), secretary general of the food preparation, trade, and services union, led the reviewing delegation on a tour aimed at boosting incentive in this important sector nationwide. Domestic Trade Vice Minister Antonio Montero accompanied the delegation, urging workers to improve on services to meet the people's demands. Montero mentioned the Turquino Plan as one area in which problems must be solved, adding that a plan is underway to meet the needs of mountain residents. The delegation checked that there was food available in the streets and noticed that eastern residents were very happy because several cafeterias were being opened to meet all their needs.

Cuba: Academic Explains Use of LB-12 Gas To Replace Freon

PA2307171896 Havana Radio Rebelde Network in Spanish 1155 GMT 17 Jul 96

[Report by Carlos Sanabria Marrero; from the "Doing Radio" newscast]

[FBIS Translated Text] More than 150,000 home refrigerators nationwide are using LB-12 gas, which an Eastern University technical team has created to replace Freon 12.

Professor Luis Fernando Brosar, chief of the provincial refrigeration group of the science and technology forum, has said extended use of LB-12 is anticipated during the second half of 1997 due to the completion of the plant under construction adjacent to the Hermanos Diaz refinery:

[Begin recording] [Brosar] We had offered to 100 technicians in Santiago de Cuba a provincial seminar on how to use LB-12 in commercial chillers. We are pursuing this issue with scientific rigor to avoid any type of explosion. We are training and have created a set of rules in collaboration with the fire department.

We believe that very soon, in September 1996, we will have a plant producing 75 to 100 metric tons of LB-12 a year to meet the demands of home and commercial refrigeration systems. This plant is being built at the Hermanos Diaz Refinery. We have named it the LB-12 little factory [fabriquita], because the commander in chief affectionately called it so during the 10th forum.

The development of the gas comes as a result of the science and technology forum. We owe it to our commander in chief and to the efforts of the forum [word indistinct] and Comrade Mainegra.

The creation of LB-12 is a big achievement of Cuban science and technology. We are very proud of it.

[Sanabria] Do you think this product also can be exported in the future?

[Broser] Other countries are already requesting that we sell LB-12, but we do not want to export until we meet the needs of our people first; then we will think about exporting. Cuba and the Cuban people come first. [end recording]

Cuba: Report Notes Water Situation in Holguin Province

PA2307165396 Havana Tele Rebelde and Cubavision Networks in Spanish 0000 GMT 19 Jul 96

[From the "NTV" newscast]

[FBIS Translated Text] [Unidentified announcer] Water carts are one of the means available to some of the people of Holguin to obtain their water:

[Begin recording] [Unidentified reporter] Is Holguin having a difficult time with the water situation?

[First unidentified speaker] Yes, as far as the city and province are concerned, because only 52 percent of the people here receive their water through the aqueduct. [end recording]

[Announcer] Therefore, this problem is a serious one. Alcides Pino, a neighborhood in the outskirts of the city, is among these, but a provincial project supported by a Dutch nongovernment organization will bring water to every block soon.

On a nearby promontory, construction workers from Moa are erecting a 500-cubic meter tank, while members of the Committee for the Defense of the Revolution [CDR] are digging the ditch that will run the pipes. They have already dug eight kilometers:

[Begin second unidentified speaker recording] We work until 2300, 0000, or until 0100. [end recording]

[Announcer] In its final phase, the project will benefit more than 30,000 people. During this initial phase, approximately 8,000 residents will receive water. The members of the Alcides Pino CDR plan to have dug 10 km of ditches by 26 July. Meanwhile, 600 meters of pipes have been installed.

Cuba: Efficiency Meetings Address Discipline, Absenteeism

PA2307141596 Havana Radio Rebelde Network in Spanish 1155 GMT 18 Jul 96

[From the "Doing Radio" program]

[FBIS Translated Text] (Luis Pimentel) [not further identified] has reported that lack of discipline in the workplace, absenteeism, and inefficient use of the workday have been the focus of discussions at the economic efficiency assembly meetings in Santa Cruz del Norte Municipality. Workers believe that these problems, as well as the senseless waste of raw materials and the still inefficient use of resources, defeat efforts to establish the efficiency levels needed in these times. The trade and restaurant sector and the western oil drilling and extraction enterprise's workers' union were the most outstanding in this municipality, due to the quality and number of economic efficiency assembly meetings they have held.

Haiti

Haiti: Canadian Ambassador Comments on Aid to Haiti

PA2307202396 Port-au-Prince Signal FM Radio in Creole 1130 GMT 22 Jul 96

[From the "0730 Appointment" newscast]

[FBIS Translated Text] Canada has renewed its assistance to Haiti. Within bilateral cooperation, Canada has renewed its willingness to participate in the country's development.

Christopher Poole, the Canadian ambassador to Haiti, has said Haiti receives special attention from his country, because Haiti represents one of the most important regions for Canada; this is why Canada provides assistance to the country. Twenty-six projects have already been established and are being realized throughout the country. The diplomat added that other projects are being studied.

Poole has said Canada continues to contribute to the training of the Haitian police and would like for the police force to develop so a good climate of security may prevail in the country:

[Begin Poole recording, in French] Haiti is perhaps the most important, occidental country for Canada as far as technical assistance [word indistinct] aid are concerned. I also can say we have about 26 projects under way, electrification projects.... [pauses]. A food assistance project is being studied now. As for police training, we have contributed to the training of several individuals in the police.

Personnel of the gendarmerie, about 100 agents, are under the auspices of the United Nations for the training of the police here. There also is a bilateral program to train the police financed by the Canadian Agency for International Development. In addition, there is a program to train judges here, because it is necessary to develop in the country not only the police force but also the judicial system; that is, judicial reform. Thus, I believe these two problems are very important for development in the country. [end recording]

Haiti: Deputies To Begin Working on Economic Program Again

PA2407014996 Port-au-Prince Signal FM Radio in Creole 1130 GMT 23 Jul 96

[From the "0730 Appointment" newscast]

[FBIS Translated Text] The Chamber of Deputies will begin working on the Haitian Government's economic program again after two sessions that were supposed to be held on 17 and 18 July were aborted.

The Lavalas deputies in favor of the economic reforms met on 19 July to decide what strategy they will apply in order to allow sessions to be held. They studied the need to take sanctions against deputies who boycott the Haitian Parliament sessions.

The deputies will hold a session today, and the minister of finance will go to the Chamber of Deputies to shed light on the issue of the dismissals of several public administration employees, as well as employees at the Bank of the Republic of Haiti, Old Age National Insurance Office, and the Port-au-Prince National Authority.

The deputies say the government's reform bill on public administration, early retirement, and voluntary departure of the public administration employees has not yet been ratified. They think it is unacceptable that the government is dismissing so many people.

Long discussions continue on the public administration bill at the Legislative Palace, where the deputies say they would like to understand the Haitian Government's economic program better.

Deputy Jasmin Joseph, one of the spokesmen for the Lavalas bloc within the Chamber of Deputies, said yesterday that the public administration reform bill lacks details. It does not set any legal deadline for the beginning and end of these reforms, according to the deputy's statements. He explained why parliamentarians did not want to quickly approve the Haitian Government's economic program.

The parliamentarians will meet today to set their positions — if there is a quorum — on the economic program.

Haiti: Minister Warns Parliament Over Delaying Vote

PA2407020596 Port-au-Prince Signal FM Radio in Creole 1130 GMT 23 Jul 96

[From the "0730 Appointment" newscast]

[FBIS Translated Text] The planning minister anticipates that the funds intended to aid the functioning of the Haitian public administration — including various ministries and the Parliament — may be reduced in upcoming days if Parliament does not very quickly approve the Haitian Government economic program.

The operational funds for several ministries and for Parliament may be reduced in the next few days, if parliamentarians do not vote on the government's economic program, according to Planning Minister Jean-Eric Derice. He reports that... [pauses] who has reaffirmed that he is optimistic about the ratification of bills relating to reforms by 29 July.

Asked about the consequences of Parliament delaying the ratification of the bill, Derice clearly answered that the government will be obliged to cut operational funds for the Haitian Parliament and various ministries.

He has said that if the national budget does not get $100 million to make up the deficit and if documents do not reach the IMF officials by the due date — between now and 29 July — the government may find itself compelled to cut funds for Parliament as well as various ministries. Let us listen to Planning Minister Jean-Eric Derice:

[Begin Derice recording] We will not be able to present what we were supposed to present on time to the IMF board. One might as well say that we will have no time limit. We will then be obliged to wait for August to present it, with all those implications.

I can tell you that one of the major points in the program for this year is that we will have nearly $120 million... [pauses] $106 million that will allow us to make up the deficit so we can reach the zero-deficit level. It is thus a budget support.

One might say, if you do not get it, you will not get the budget support and, if you do not get the budget support, you will be compelled to keep tightening your belts.

What else does that mean? It will be impossible for us to honor even the budget that was approved lately by Parliament. One might say that all ministries that have operational expenses, [word indistinct] including the Parliament... [pauses] I do not mention the Parliament because I want to give a signal. I say everybody, all bodies in the government will be in arrears with their payments and the situation will then get harder.

This is one of the direct implications — I can tell you — a prolonged delay in the ratification of the law may have on the budget this year. [end recording]

These were statements by Planning Minister Jean-Eric Derice at the microphone of our colleague Jean-Pierre Leroy. He said that the operation expenses of the Parliament and of several ministries may be reduced in the next few days if the parliamentarians do not approve the Haitian Government's economic program.

The Parliament of the Republic, in particular, the Chamber of Deputies, should meet in majority today to give a verdict on the Haitian Government's economic program, which includes two bills, one on early retirement in public administration.

Guatemala

Guatemala: Peace Commission Head on Cease-Fire, War Tax

PA2307201496 Guatemala City Televisiete Television in Spanish 1900 GMT 19 Jul 96

[From the "Channel Seven News" newscast]

[FBIS Translated Text] Gustavo Porras, president of the Guatemalan Government's Peace Commission, has described the cease-fire between the Army and the guerrillas as the main achievement of the peace negotiations.

[Begin Porras recording] The basic element of trust between the parties was consolidated. This was confirmed in March when the URNG [Guatemalan National Revolutionary Unity] announced its unilateral decision to stop its offensive actions against military objectives. The President of the Republic responded by asking the Guatemalan Army to stop counterinsurgency operations, except those mandated by the Constitution. Besides saving human lives, which still holds true today, this meant that the negotiations took place with the national interest in mind without allowing any kind of pressures to affect its substance. That is, there would not be military pressure, and the negotiation would develop amid an atmosphere of peace.

As you might recall, on 6 May an agreement on socioeconomic aspects and the agricultural situation was signed in Mexico. That agreement had been under discussion for over ten months, but there was a virtual impasse. It was finally signed, and as a result, the URNG announced its decision to stop charging its war tax.

Since then, military operations against the National Army or against any other objective have not been registered, and thus, it was possible to stop this practice that affected a very important and productive segment of the population. [end recording]

Guatemala: Joint Cooperation in Culture Urged With Cuba

PA2407031496 Guatemala City Televisiete Television in Spanish 1900 GMT 19 Jul 96

[From the "Channel Seven News" newscast]

[FBIS Translated Text] Guatemalan Culture Minister Victor Augusto Vela and Cuban Culture Minister Armando Hart have called for joint formulas to preserve the peoples' heritage.

Hart proposed the use of cooperation programs through UNESCO's regional office, headquartered in Cuba.

Honduras

Honduras: General Compares Nation to 'Dam About To Burst'

PA2307205696 Tegucigalpa EL PERIODICO DE HONDURAS in Spanish 19 Jul 96 p 3

[FBIS Translated Text] Armed Forces Commander General Mario Hung Pacheco has warned that Honduras is a dam about to burst. He called for all sectors to work to stop such an occurrence.

The bible itself says that the house falls apart if brothers start to fight, he added.

Hung Pacheco gave a news conference during the events held to commemorate another anniversary of the war between Honduras and El Salvador. A mass was also held to honor the Hondurans who fell during this conflict that occurred in July 1969, and left many Honduran homes in mourning.

The officer marked those incidents and their effects on Honduran society, which, according to him, is about to sink because of the constant conflicts among its members.

He also urged all citizens to further the reconciliation of the entire Honduran family, and "to look for unity and avoid confrontation."

Country of Scandals

"Honduras is getting to be known as the country of scandals," Hung Pacheco said. He admitted that this irritates and hurts him "because we are really not like this."

International cables often talk about alleged coup d'etats in our country and even foreign military attaches have asked me if this is true, he commented.

The officer underscored that the Armed Forces are constitutionalist and democratic and intent in furthering the conciliation of the Honduran family.

The military institution wants peace for the people, to change the culture of consumerism for one of production, and to get the country to advance, he maintained.

We Should Stop

Gen. Hung Pacheco admitted he is concerned over recent developments in the country. He pointed out that this is the moment we should make a stop along the way and reflect.

He reiterated that "Honduras is like a dam about to burst," and blamed this situation on the current uncertainty, and the many problems brewing everywhere.

Civil War

Hung Pacheco stated: I would truly regret the eruption of a civil war in the country during my term as commander of the Armed Forces, "but let us hope this will not happen."

However, he clarified that we are not invulnerable to this possibility, because the people's discontent is evident in the streets.

He noted that no one needs a magnifying glass to see this shocking reality, the reason why we must analyze it is to prevent it from reaching extremes which we might regret tomorrow.

He asked everyone to help put an end to so much scandal because the country cannot go on like this.

In this regard, he urged the media to help guide the people, and not to confuse them by misrepresenting the news.

He warned that "when there are strikes and street demonstrations by some sectors such as the teachers and the peasants taking place everywhere, one begins to perceive a dangerous climate of violence."

He added that he is keeping President Carlos Reina abreast of this situation, and on several occasions, he has informed him about the number of deaths, accidents, car thefts or any other important developments taking place.

Avoiding Chaos

Gen. Hung Pacheco warned the authorities and the population in general to avoid chaos. I conveyed this message myself in the trips I make throughout the country.

Finally, he made it clear to the transportation workers, teachers, peasants and union members that they will not resolve their problems by blocking the roads, because these actions are more likely to worsen the social situation.

Nicaragua

Nicaragua: Russian Duma Official Proposes Annulling Law

PA2407034896 Mexico City NOTIMEX in Spanish 0119 GMT 24 Jul 96

[FBIS Translated Excerpt] Managua, 23 Jul (NOTIMEX) — Gennadiy Zhelezniyov [name as received], president of the Russian State Duma (Lower Chamber), today proposed here the complete annulment of the so-called Helms-Burton law, through which the United States toughens the economic embargo on Cuba.

"The best thing to do is to completely annul this law; we must not create new blockades on Cuba," Zhelezniyov told NOTIMEX after he met in this capital with Nicaraguan President Violeta Chamorro.

Zhelezniyov, who started a three-day visit to Nicaragua today, recalled that when the U.S. Congress approved the Helms-Burton law, "the Russian State Duma reacted quickly and issued a statement denouncing this law."

"Russia has always had and will always have its own opinion on its behavior in relations with a sovereign state," the legislative leader affirmed. He will travel to Cuba on 25 July, to then continue his tour of Latin America, which will also include Venezuela.

He pointed out that the fact that the Latin American Parliament (Parlatino) has also decried the Helms-Burton law "signifies that Latin America disagrees with these discriminatory actions."

Zhelezniyov also said that the international rejection this law triggered, given its extraterritorial features, was an essential factor for U.S. President William Clinton to postpone its implementation for six months. [passage omitted]

Panama

Panama: Group Rejects Giving Howard Air Force Base to U.S.

PA2307131096 Panama City LA PRENSA in Spanish 20 Jul 96 p 4A

[Report by Manuel Alvarez Cedeno]

[FBIS Translated Text] Organizations of workers, leftist university students, teachers, and farmers yesterday voiced their rejection to the possibility of Panama's giving Howard Air Force Base gratuitously to the United States.

According to international news dispatches originating in this capital, the administration of Ernesto Perez Balladares is reportedly willing to cede that base without receiving any economic compensation if a multinational drug center is established there.

Regarding this, delegates of the Organizations Against Military Bases [Organizaciones Contra las Bases Militares — Ocbam] voiced, during a news conference, their opposition to "Ernesto Perez Balladares' offer to cede Howard Base."

The Ocbam comprises the Single National Union of Construction and Related Workers (Suntracs), Research and Education Center of Panama [Centro de Investigacion y Docencia de Panama], Alternative Legal Assistance [Asistencia Legal Alternativa], Revolutionary Students Front (FER-29), health workers, and the Independent Administrative Workers Association [Asociacion Gremialista Independiente de Trabajadores Administrativos].

It is also made up of the People's Coordinating Board for Human Rights (Copodehupa), Humanist Movement [Movimiento Humanista], Nationalist Democratic Campaign, Independent Student Movement of Cocle, and the Association of Small-Scale Farmers of Chorrerita.

An Ocbam communique also condemned the reduction of Panama's territorial sea that the Legislative Assembly approved via an international agreement that reduced it from 200 to 12 nautical miles.

They added: "This involves the surrender of our juridical and political sovereignty over 188 nautical miles where any foreign country can station war vessels."

The group also accused the government of offering to give away gratuitously Howard Base, which is adjacent to an area with touristic potential, while the territorial sea issue is nothing more than "submission to U.S. pressure."

Should Panama not grant the United States gratuitous permanence in canal military bases, that country would simply, with the reduction of Panama's territorial sea, "station its war vessels off our coasts to pressure any government refusing to comply with its mandates," the Ocbam assured.

Argentina

Argentina: UN Resolution 'Serious Blow' for Falklands

PY2307144396 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1051 GMT 23 Jul 96

[FBIS Translated Excerpt] Buenos Aires, 23 Jul (NA) — Foreign Ministry sources understand that the resolution approved by the UN Decolonization Committee confirming the existence of a dispute for the Malvinas [Falkland] Islands between Argentina and the United Kingdom is a serious blow for the island inhabitants' self-determination aspirations.

The alleged right to self-determination promoted by the Kelpers to the Decolonization Committee constituted a serious threat that might have undermined Argentina's future chances to recover the islands' sovereignty, besides causing certain damage to the career of those responsible for Argentina's official diplomacy.

Had the islanders obtained a favorable resolution they would have consolidated the strategy they set in motion at the end of the 1982 war that allowed them, among other things, to charge license fees, carry out oil exploration tasks, and reach virtual economic independence from London.

The Foreign Ministry sources did not rule out the possibility that the support obtained for Argentina's position yesterday might mean "the beginning of a gradual departure" from the so-called "policy of seduction" promoted by Minister Guido Di Tella. [passage omitted]

Argentina: 'Text' of UN Committee Resolution on Falklands

PY2307234096 Buenos Aires TELAM in Spanish 1345 GMT 23 Jul 96

[All quotation marks as received]

[FBIS Translated Text] Buenos Aires, 23 Jul (TELAM) — With the cosponsorship of Cuba, Papua New Guinea, and Venezuela, the UN Decolonization Committee on 22 July unanimously approved a resolution sponsored by Chile for the resumption "as soon as possible" of the negotiations on the dispute involving the sovereignty of the Malvinas [Falkland] Islands.

The text of the resolution is as follows:

"Having reviewed the Malvinas Islands issue.

"Being aware of the fact that the continuation of colonial situations is incompatible with the UN ideal of universal peace.

"Regretting that, despite the time that has passed since the approval of Resolution 2065 by the UN General Assembly, this prolonged controversy has still not been resolved.

"Being aware of the interest of the international community for the governments of the Argentine Republic and the United Kingdom of Great Britain and Northern Ireland to resume their negotiations in order to find as soon as possible a fair and lasting solution to the sovereignty controversy linked to the Malvinas Islands issue.

"Expressing its concern over the fact that the good status of the relations between the two nations has still not led to negotiations on the Malvinas issue.

"Considering that this situation should facilitate the resumption of negotiations to find a peaceful solution to the sovereignty controversy.

"Reaffirming the principles of the UN Charter of not resorting to threats or the use of force in international relations and settling international controversies through peaceful methods.

"Emphasizing that it is important for the secretary general to pursue his efforts in order to fully accomplish his mission, entrusted by the General Assembly, in connection with the Malvinas Islands issue.

"Reaffirming that it is necessary for the two sides to duly take into account the interest of the population of those islands, as established by the General Assembly in the resolutions on the Malvinas Islands issue.

1. It reiterates that the way to end the special and particular colonial situation in the Malvinas Islands issue is a peaceful and negotiated solution to the controversy over sovereignty existing between the governments of the Argentine Republic and the United Kingdom.

2. It takes note of the opinions expressed by the foreign relations minister of the Argentine Republic on the occasion of the 50th UN General Assembly period of sessions.

3. It regrets that, despite the broad international support for negotiations between the governments of Argentina and the United Kingdom, including all the aspects of the future of the Malvinas Islands, the General Assembly resolutions on this issue have not yet begun to be applied.

4. It asks the governments of the Argentine Republic and the United Kingdom to reinforce the current process of dialogue and cooperation through the resumption of negotiations in order to find as soon as possible a peaceful solution to the sovereignty controversy linked to the Malvinas Islands issue, as established in the General Assembly Resolutions 2065, 3160, 31/49, 37/9, 38/12, 39/6, 40/21, 41/40, 42/19, and 43/25.

5. It reiterates its firm support for the good offices mission of the secretary general in order to help the sides in complying with the General Assembly resolutions on the Malvinas Islands issue.

6. It resolves to keep under examination the Malvinas Islands issue, subject to the respective indications that the General Assembly has given and could still give."

Argentina: Controversy Over Cavallo, Camilion Viewed

PY2307230996 Buenos Aires CLARIN in Spanish 21 Jul 96 pp 18, 19

[Article by Eduardo van der Kooy]

[FBIS Translated Text] The government finally doubled its bets and — a disaster notwithstanding — decided to put its electoral future in [Economy Minister] Domingo Cavallo's hands.

[Argentine President] Carlos Menem was, among all those involved, the person with the least doubts. His confirmation of the economy minister while still in the United States sought, more than anything else, to calm down foreign financial centers, which were somewhat shaken by the commotion that the latest adjustment measures provoked within the Justicialist Party [PJ, Peronist Party].

[Buenos Aires Governor] Eduardo Duhalde, on the other hand, turned around on the march. He initially criticized the cut in social benefits promoted by Cavallo, but ended up being a key supporter of the party declaration that started to reorient the official behavior.

In order to justify it, Duhalde used an allegory that not even Cavallo would have used, not even in a moment of rage: "People often prefer to have a leg amputated in order to save their bodies," Duhalde said dramatically.

The president and the governor have made the same calculation. Cavallo's sudden departure could have implications that the government will find impossible to absorb. The uphill battle could take such a long time that it might take the administration well into the next congressional elections, and no new plan or new man will then have time to appease people's collective ill-humor.

Next year Menem and Duhalde will put on the line a good part of their political future. Menem will test the possibility of a new reelection and Duhalde the possibility of reaching the presidency. Neither of the two — for these reasons — is seduced by the idea of implementing, without any guarantees, any changes in the economic leadership.

The present, however, is full of doubts. Cavallo's promised reactivation was a May mirage that dissolved in June. The latest unemployment figures (17.1 percent) indicate that unemployment will be a very annoying Peronist companion for a very long time. The fall in tax collection levels again revealed the limits of the official tax policy and the fiscal deficit threatens with undermining the bases of the convertibility plan.

The economy minister hastily put his hands on a series of measures that are immensely unpopular. Besides, there are doubts about their real effect. These measures might not even be enough to fill the fiscal breach and authorities might have to turn the nut one more time in a few months.

Common sense indicates rather clearly that the reduction of salaries — as a consequence of cuts in social benefits — could have a negative effect on the much talked about official objectives of promoting the implementation of consumption and production systems.

Very few times in the past five years has one of Cavallo's decisions provoked so much resistance in the PJ. But it was enough for the minister to brandish his resignation in the air for the government to start taking steps backwards with a feeling of being between the sword and the wall.

Congress, for instance, threatened to start a fire but ended up provoking a simple spark. There was a purification drive among Peronist senators. One of the outstanding features of this drive was Senator Jose Manuel de la Sota's ill-treatment of Minister Cavallo. Peronist deputies, however, thwarted a meeting where the opposition planned to propose a rejection of the measures.

The story could have a similar ending at the Chamber of Deputies where there are two or three proposals — sponsored by PJ deputies — against Cavallo's announcements. These proposals could disappear if the minister suffers public ridicule.

Governors say they will not take a step backwards easily. They know that they are closer than metropolitan leaders to the crude realities of the social dramas that the economic program has aggravated. Besides, the power of many of them rest on bases that are autonomous from the central government.

Governors can therefore resist the warnings from above, although they are not the determinant factor needed to checkmate a minister of Cavallo's strength.

Even though he was able to control the downpour, the economy minister will always carry the scars of this new battle with him.

The threat of his resignation, because it has been repeated so many times, no longer scares everybody as before. It again served to close Peronist ranks, but the effect was not the same among entrepreneurs who have been his unconditional supporters.

The UIA [Argentine Industrial Union] delayed more than usual to express its solidarity with Cavallo and the Entrepreneurial Council opted for the individual rather than the institutional support of some of its members.

There was also another shade worth noting. Entrepreneurs did not hesitate to give Cavallo their political support, but they left the door open for a debate on the usefulness of the measures adopted by the Economy Ministry for the model they defend.

Cavallo still has to face another difficult challenge. The Peronist acceptance of the economic measures was, above all, a demonstration of their reluctance to risk a confrontation with the minister, and also of their desire to deprive the minister of political excuses in case the plan backfires.

The president summarized the situation in one phrase — which sounded like a firm demand — before traveling to the United States: "I support you, but I want results," Menem said.

Perhaps Cavallo will also have to answer, at some point, about the rarefying political climate. The church, which has usually been accommodating, has lately been piling up complaints and uniting conservatives and other voices. Monsignor Hector Aguer, Buenos Aires assistant bishop, questioned the quality of the economic model during the 9 July Te Deum. The social pastoral pointed directly to the decision to cut back on social benefits.

The General Confederation of Labor (CGT) also discovered a reason to attempt a resurrection. It quickly joined the Peronist rebellion ranks, but wound up shouting all by itself: It will cost CGT Secretary General Gerardo Martinez dearly — perhaps his post — to halt the general strike announced for 8 August.

The CGT call resembled very much that of the fable of the wolf and the lying shepherd: The political opposition did not believe in it — as the CGT has so frequently threatened and recanted — and the intransigent trade unionism seems to be ready to go its own way, with the protest march called for this week.

Not everything, however, seemed to be lost. Some Menemist sectors would secretly support the CGT-sponsored strike, convinced that the economic crisis will prompt the people to spontaneously adhere to it, which could later be charged to Cavallo's account.

It appears to be a wicked action, but the minister hardly has any partners left within the government. Some people in the government never were his partners, and he lost the support of other people in the government over his own unscrupulousness.

Jorge Rodriguez made his debut as chief of cabinet, seeking to become a link between the Economy Ministry and the rest of the government. He achieved it until the initial disagreements over the State reform cropped up.

Thereafter, Cavallo ignored Rodriguez and boycotted, with his absence — or the absence of his aides — many working meetings. Cavallo reached the limit when Rodriguez and Corach read in the newspapers that Cavallo would cut family allowances.

As of that moment, the Office of the Chief of Cabinet was threatened with a possible crisis. The crisis almost materialized on the morning of 17 July when, overwhelmed by his bickering with the Economy Ministry, Strategic Control Secretary Alberto Abad tendered his resignation. Rodriguez, Corach, and Bauza were all concerned: Abad's departure would plainly involve making another concession to Cavallo. After Rodriguez, Corach, and Bauza made a persuasive effort, Abad listened to reason and returned to his office.

The interior minister also agreed with [Justice Secretary] Elias Jassan who [temporarily] replaced Rodolfo Barra to avoid at this stage any confrontation with Cavallo. He will probably find corresponding effect: The economy minister has a pending, obligatory, and essential task, which is to straighten out the economic plan, and he must not become distracted with the internal party struggles.

This seems to be the case. Cavallo was nowhere to be seen — as he was when Barra resigned — when [former Defense Minister] Oscar Camilion tendered his resignation.

Camilion made something that was bad worse. After refusing for months to resign, he did so at the worst political moment for the government. He resigned just after Barra had done so, amid an economic crisis, with the effects of the defeat in the federal capital still echoing, and with a renewed sensation of community insecurity created by the attack on the home of Senator Eduardo Menem, and by the investigation into the AMIA [Argentine-Israeli Mutual Association] attack.

The vacancy in the Defense Ministry automatically opened the way to internal power intrigues. To the point that several ministers adopted precautions to prevent Camilion's estrangement from causing a domino effect among them.

The foreign minister is planning to announce with great fanfare this week something that will protect him from any storm: He will present as a diplomatic success — which really is not — the resolution of the UN Decolonization Committee urging, for the 100th time, Argentina and the UK to negotiate, without mentioning the possibility of the future self-determination of the Kelpers.

Those who want to occupy the post of Camilion are also trying to be noticed. The president has traveled abroad with the idea of appointing [defeated PJ candidate for Buenos Aires mayor] Jorge Dominguez to the post.

Dominguez is candidate for the post not only because the government thinks it owes him something — beyond his poor electoral performance — for his political services in the federal capital, but because of his technical profile which should help mitigate any internal infighting for the post.

Such a position has been maintained by men like [Interior Minister Carlos] Corach, who see a less propitious solution: The possibility that the replacement could be [Argentine Ambassador to the United States] Raul Granillo Ocampo.

The Argentine ambassador in Washington wants to return to Buenos Aires, but this is not a sufficiently solid argument. He believes — just like [Secretary General of the Presidency] Alberto Kohan — that the next defense minister should maintain the fluent contacts Camilion maintained with the United States.

Granillo Ocampo thus thinks that there is no one better than him to meet such a high demand which — as he believes — Jorge Dominguez cannot meet in theory.

Perhaps only at this moment will Cavallo's few hairs stand up: Granillo Ocampo was the man who last September revealed in Washington that the Argentine Government had four or five men as backups to conduct the economy.

This anticipated infighting seem to be small problems compared to the signals of growing alarm that reality is generating, something the administration has not suffered since the end of 1990.

No matter how small, any stumble that takes place now could strongly shake a confused administration. Even the most expected resignation of a minister.

Argentina: Biographic Details of New Defense Minister

PY2307130996 Buenos Aires CLARIN in Spanish 22 Jul 96 p 3

[FBIS Translated Text] [Defense Minister-designate] Jorge Dominguez holds a degree in business administration and a masters from Duke University (United States). Dominguez, 51, is married to Ana Otermin and has two children: Jorge and Macarena.

Among other national and municipal posts, he served as Public Works and Services Ministry planning director from 1973 to 1976. During this period, he also served as the economy minister of Mendoza Province when Antonio Cafiero was the provincial government trustee.

During the military regime, Dominguez established the Institute for Economic and Social Policy.

In 1983, Dominguez was Banco de Santa Fe president; in 1987, he was elected deputy for the Buenos Aires Justicialist Party and chaired the Chamber of Deputies Economy Commission; in 1991, he was appointed Yacyreta Binational Agency president by President Menem.

On 5 September 1994, Dominguez was installed as the last Buenos Aires mayor to be appointed by the president.

On 30 June 1996, Dominguez ranked third — with 18.12 percent of the votes — in the Buenos Aires mayoral elections.

Argentina: UCR Head Questions Arms Sale to Ecuador

PY2407004596 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1456 GMT 22 Jul 96

[FBIS Translated Text] Buenos Aires, 22 Jul (NA) — On 22 July Rodolfo Terragno, president of the Radical Civic Union [UCR], stated that the change in defense minister cannot conceal that the illegal sale of weapons to Ecuador and Croatia "is a major problem that continues to fall under the responsibility of the government."

Terragno said: "The fact that more than one year has passed, that nothing has been clarified, that everything ended up in the awarding of consolation prize to a man who only made commitments to Buenos Aires and who now was appointed minister, do not conceal the key problem: [President] Carlos Menem's administration continues to be responsible for the clarification of the arms sale issue."

Terragno stated: "Beyond the personalities involved in the controversy over the sale of weapons, the most important question — what really happened — remains unanswered."

In remarks to a radio station, Terragno said: "In a letter addressed to President Menem a long time ago, I emphasized that this is a matter that closely concerns him."

In this regard, he said "it is not merely a matter of changing men but of learning how the president of the nation, the economy, foreign relations and defense ministers could have approved the sale of weapons to middlemen without taking any precautions."

Terragno said: One should not "spend too much time" analyzing the change in defense minister, because "a person with an undefendable position has been sacrificed. But absolutely no progress has been made in explaining the arms sale case."

Argentina: Correction—Effects of Sanctions on Colombia

PY1807174596 Buenos Aires CLARIN in Spanish 17 Jul 96 p 12

[Corrected version of editorial "Sanctions Affecting Colombia," originally filed as PY1807004496 and published on pages 26-27 in the 18 July Latin America DAILY REPORT; correcting words within slantlines in penultimate paragraph]

[FBIS Translated Text] The U.S. Government decision to cancel the visa of the Colombian president is within the framework of a number of sanctions and pressures announced as part of a drug enforcement strategy. This measure, however, marks a grave precedent that might affect hemispheric relations.

It is the first time the United States imposes such a veto, which denies a constitutionally elected president entry into the country. We do not recall similar cases in the past affecting illegitimate or de facto rulers.

The decision to permit the entry of any foreign citizen into one's country is an undisputable prerogative of the host state, but the announced decision to include a head of state in the category of undesirable turns the measure into just another application of the principle of extraterritoriality of a U.S. law that violates foreign state sovereignty.

The situation is different, we understand, because of the penetration of drug trafficking in economic and political structures and in international trade organizations. The Latin American agenda includes the issue as a priority because it seriously complicates the health of young democracies in the continent.

The refusal to grant a visa to Ernesto Samper, who has been accused of having benefited from his connections with drug cartels during the presidential race, is directed to break the deadlock in the Colombian political crisis and increase the pressure on drug trafficking and corruption, in Washington's point of view.

As of March, different economic and diplomatic sanctions increased the deterioration of the already critical Colombian institutional situation. The country is currently going through one of its worst moments in its nearly 40 years of uninterrupted stability.

President Samper, who is through just half of his turbulent mandate and sees his support gradually dissipating, has lost a great part of his /domestic credibility/ and the support of the main political and social groups. But his future must be strictly in the hands of Colombian institutions, its representatives and judges, or it must rest on his personal decision.

Samper's future notwithstanding, and beyond the complex web of relations between drug traffickers' power, the Colombian state, and drug traffickers economic circuits, the U.S. measure projects the unsupportable impression of an exaggerated interference in Colombian affairs. This impression might have a negative effect on U.S. relations with Latin America because of the basic belief in the legitimacy of their heads of state's mandate, which emanated from free elections.

Bolivia

Bolivia: Chile Said To Have 'Blundered' Sea Outlet Offer

PY2407033196 La Paz Radio Cadena Nacional Network in Spanish 2300 GMT 23 Jul 96

[FBIS Translated Text] The Bolivian Foreign Ministry has noted that, by again raising the sea outlet issue, the Chileans have blundered. Chile's proposal to concede a strip of land, without granting sovereignty, is an admission that Bolivian territory has been usurped.

This expression represents a response to Chilean Foreign Minister Miguel Insulza, who expressed his country's willingness to concede a 10-km strip of land on the Pacific coast.

Acting Foreign Minister Eduardo Trigo hailed this proposal, as it involves a public statement indicating that something is owed to our country, regardless of its acceptance or rejection.

[Begin Trigo recording] First, we are convinced that the solution to the problem of Bolivia's century-old geographic confinement will involve a useful and sovereign outlet to the Pacific Ocean alone.

Second, as everyone knows, Bolivia and Chile have agreed upon a bilateral agenda that does not exclude any type of issue.

Third, we consider that significant headway has been made in this direction, as Chile implicitly admitted before the OAS Assembly recently held in Panama the existence of pending issues with Bolivia that must be resolved. [end recording]

In Trigo's opinion, the involvement of Peru, which also participated in the War of the Pacific [between Bolivia, Chile and Peru, 1879-1883, in which Bolivia lost its outlet to the ocean] represents a good alternative for conducting the political negotiations, seeking to regain Bolivia's sea outlet.

Bolivia: Worker Denounces Disappearance of Co-Workers

PY2307192396 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 23 Jul 96

[All names as heard]

[FBIS Translated Text] Worker leader Simon Kelca has reported that no one knows the whereabouts of six municipal workers who were arrested by civilian agents on 22 July. Kelca added that two workers were wounded during the violent police repression. He identified the wounded workers as Lino Tito and Pastora Romero, who suffered small gunshot wounds in the face and head, respectively.

Kelca said that Julio Kis Peticona, Alejandro Laime Calsina, Antonio Paucara Aruquipa, and Buenaventura Ortuno were also arrested. Kelca explained that the repression unleashed by police was brutal, adding that agents did not have mercy with old female workers who joined their fellow workers and tried to crucify themselves at the main entrance of the La Paz municipal building.

The daily vigil, the hunger strikes, and the crucifixions are measures that aim at making Mayor Ronald Maclean conscious of their situation and prevent the dismissal of 840 municipal workers.

Bolivia: Foreign Minister Departs For Peru, Russia

PY2307192196 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 23 Jul 96

[FBIS Translated Text] Foreign Minister Antonio Aranibar has started a new official tour. This time he will visit Russia and Peru. The foreign minister will return on 30 July. The visit to Russia is scheduled for 23 and 26 July. The purpose of this visit is to discuss aspects of international and national issues in the new legal and political context. Officials expect to sign a basic cooperation agreement, a memorandum of understanding for the development of cooperation on environmental issues, and to establish a program of cultural and scientific exchange.

Bolivia: News Summary for 19 Jul

96CA0252A (Internet) Bolivian Social Communications Ministry WWW in Spanish 19 Jul 96 Morning Edition

[From the Computer Services Network of the Bolivian Social Communications Ministry http://utama.bolnet.bo:80/mcs/matind.htm]

[FBIS Translated Excerpt] [passage omitted]

Political News [passage omitted]

State Should Finance Political Campaigns

In the opinion of Social Communications Minister Guillermo Richter, the state should finance political parties' campaigns in order to avoid external financing that may generate political subservience.

"I believe that external financing for the political parties should be ended, for if the parties receive money from outside they may become appendages of certain ideological positions, positions which may coincide with those existing in Bolivia, but it is best to avoid that," he added.

MNR: Decrease Number of Parties

The MNR [Nationalist Revolutionary Movement], through Deputy Oliverio Iriarte, has called for reducing the number of political parties so that the state's allocation of financial resources for their campaigns in general or municipal elections will be equitable.

He said that "the worst that may happen is that the electoral reform may in one article prescribe various forms of financing, and while they are closing the doors to private enterprise, they may at the same time leave the door open to other methods of obtaining financial resources from activists or leaders who may be suspect." [passage omitted]

"Bankconnections" Case Postponed The parliamentary report on the so-called "bankconnections" case involving the MNR will definitely be postponed until the next regular legislative session, the president of the Constitution

Commission of the Chamber of Deputies, Edil Sandoval Moron, has announced.

He confirmed that the session in which the accuser, former banker Jorge Cordova, is to expand his statemnts is scheduled for today, but he acknowledged that there is no certainty that this session will actually take place. [passage omitted]

Economic News

Bank Charges Announced

The evidence of executive liability against former Banking Superintendent Luis del Rio and of administrative liability against Ramiro Cabezas has been confirmed by the Office of the Comptroller General. These accusations stem from matters concerning the following banks: Bibsa, Big-Beni, Sur, and Cochabamba.

The report states that the executive liability of Luis del Rio arises from his poor or negligent management, as understood in a legal sense. [passage omitted]

General Information

"Sacate" Sentenced to 16 Years in Prison

Former Naval Captain Pablo Oswaldo "Sacate" Justiniano and other members of the drug trafficking gang known as the "narcosailors" have been found guilty and given sentences of up to 25 years in prison, while former Commander Miguel Alvarez has been acquitted.

Justiniano, considered the head of the gang, did not receive the longest sentence but only 16 years in jail in Chonchocoro Prison, because he was tried as the transporter, not as a direct trafficker, for using Navy vehicles to which he had access, reported court sources.

Brazil

Brazil: Senate Approves Telecommunications Bill

PY2407020596 Sao Paulo FOLHA DE SAO PAULO in Portuguese 19 Jul 96 Section 1 p 4

["Text" of Telecommunications Bill]

[FBIS Translated Text] Draft Law No. 32, submitted by the Chamber of Deputies in 1996, establishing provisions on telecommunications services, on their organization, and on the regulatory organ, and establishing other measures.

Article 1 — The organization of telecommunications services and the exploitation of mobile cellular phone services, of limited services, and of the transportation of telecommunications signals via satellite, as well as the use of the public telecommunications network for rendering added value services, shall be regulated by this law, in the areas described herein, with due respect for existing laws, especially Law No. 4117 dated 27 August 1962, Law No. 8987 dated 13 February 1995, and Law No. 9074 dated 7 July 1995, and all existing telecommunications regulations.

Article 2 — The telecommunications services described in Article 1 shall be regulated by this law, based on the following definitions:

Paragraph 1 — The Mobile Cellular Phone Service is the mobile land telecommunications service, which is opened to public use, which uses a radio communication system with cellular technique, as is defined in the regulations, which is interconnected to the public telecommunications network and which may be accessed through portable or vehicle units for individual use.

Paragraph 2 — The Limited Service is the telecommunications service destined for the performer of the service or for third parties, provided such parties are one single person or a group of individuals or corporations engaged in specific activities.

Paragraph 3 — The Service of Transportation of Telecommunications Signals via Satellite is the telecommunications service which, through the use of satellites, receives or transmits telecommunications signals using preestablished radio frequencies.

Article 3 — The Mobile Cellular Services shall be exploited under a concession, which shall be awarded through a tender for a period of 15 (fifteen) years, renewal for an additional period of 15 years, with due respect for the terms of Article 11 of this law.

Single Paragraph. The organizations that exploit public telecommunications services shall make their networks available for interconnection with the Mobile Cellular Phone Service, in appropriate, equitable, and nondiscriminatory conditions.

Article 4 — The Executive Branch shall transform the permits for Restricted Public Mobile Land Radio Communication Services, which were issued before enforcement of this law, into Mobile Cellular Service concessions, under terms that will be similar to those of the other contracts for concessions of Mobile Cellular Services, respecting the respective deadlines.

Single Paragraph — The organizations which, in keeping with the terms of this Article, become Mobile Cellular Phone concessionaires, shall create, either individually or in partnership, and within 24 (twenty-four) months after enforcement of this law, the enterprises that will replace them for exploitation of the service.

Article 5 — For the purpose of complying with the terms of the single paragraph of Article 4, Brazilian Telecommunications, Inc. — Telebras — is hereby authorized to constitute, directly or through its subsidiary corporations, either subsidiaries or associated enterprises for exploitation of Mobile Cellular Services.

Article 6 — The Executive Branch, whenever appropriate and advantageous for public interest, shall order Telebras and its subsidiaries to transfer the shares they owe in the enterprises created in line with the terms of Article 5.

Article 7 — The Restricted Service, destined for use by the performer himself, shall be exploited through an authorization for an unspecified period, for which no tender shall be necessary. When this service is to be rendered to third parties, it shall be exploited through permission granted to enterprises created in keeping with Brazilian laws, and with headquarters and management offices in Brazil, for a period of 10 (ten) years, which may be renewed for identical periods.

Article 8 — The Service of Transportation of Telecommunications Signals via Satellite, whenever rendered via satellites occupying orbits that were notified by Brazil, shall be exploited through concessions for a period of up to 15 (fifteen) years, renewable for identical periods, in line with the terms of Article 1 of this law.

Paragraph 1 — The concession shall grant the concessionaire the right to occupy, with its satellites, the orbit positions notified by Brazil and the assignment of the associated radio frequencies. The satellite control stations shall be built on Brazilian territory.

Paragraph 2 — The organizations which, on the date of enforcement of this law are exploiting the Service of Transportation of Telecommunications Signals via Satellite, through the use of satellites that are occupying orbit positions notified by Brazil, shall be awarded the concession of this exploitation.

Paragraph 3 — The permits for exploitation of the service shall establish that the actual start of operations will be after 31 December 1997, except for the cases that require technical features that are not available on satellites for which, on the date of enforcement of this law, have already been granted orbit positions notified by Brazil.

Paragraph 4 — The Service of Transportation of Telecommunications Signals via Satellite may be rendered only to organizations that have been granted a permit for exploitation of Telecommunications services. All interested parties shall be guaranteed equitable and nondiscriminatory treatment.

Article 9 — The exploitation of all types of telecommunications services via satellite shall be made through a specific permit, in line with the regulations, irrespectively of whether satellites are accessed from the national territory or from abroad.

Paragraph 1 — Preference shall be given to the satellites occupying orbit positions notified by Brazil, admitting the possibility of use of satellites occupying orbit positions that were notified by other countries.

Paragraph 2 — The use of satellites occupying orbit positions notified by other countries shall require coordination with the Brazilian administration of the orbit positions and associated frequencies, which shall be hired to enterprises created in line with Brazilian laws and with headquarters and management offices in Brazil, operating as their legal representatives in the country.

Article 10 — Any party interested in rendering Added-Value Services shall be guaranteed the right to use the public telecommunications network.

Single Paragraph. The Added-Value Service is the activity through which new resources are added to a telecommunications service, creating new utilities for access, storaging, presentation, circulation, and recovery of information, which are not classified as telecommunications services.

Article 11 — The concessions for exploitation of Mobile Cellular Services and of the Service of Transportation of Telecommunications Signals via Satellite may be granted only to enterprises that were created in compliance with Brazilian laws, and with headquarters and management offices in Brazil.

Single Paragraph. During the three years following publication of this law, the Executive Branch may establish, in the cases requested by the national interest, limits to the composition of capital of the concessionaire enterprises mentioned in this Article, making sure that at least 51 percent (fifty-one percent) of the voting capital is owned, directly or indirectly, by Brazilians.

Article 12 — The procedure for granting permits for exploitation of the services described in this law shall include conditions to promote the existence of diversified mechanisms through which partners may control the enterprises exploiting the services, and they shall encourage competition.

Single Paragraph. In the exploitation of commercial telecommunications services, provisions shall be adopted to guarantee that the various networks may be interconnected, that they may be jointly operated, that competition between the respective enterprises is fair, and that the respective assignment plan [plano de numeracao] is equitably used.

Article 13 — The National Communications Commission — CNC — is hereby created. The CNC is the Regulatory Organ mentioned in Section XI of Article 21 of the Federal Constitution. It shall have decision-making power, and it shall independently manage its finances and its budget. Its jurisdiction, structure, and powers shall be established through specific laws. The president of the Republic shall submit a draft bill to Congress creating the CNC within 6 (six) months after the date of enforcement of this law. If the Executive Branch does not submit the draft bill before expiration of this deadline, Congress may — upon expiration of the deadline — also draw up a bill for creation of the Regulatory Organ.

Single Paragraph. Until the CNC is created, the Ministry of Communications will exercise the functions of the regulatory organ, maintaining the jurisdictions for regulating, authorizing, and supervising the telecommunications services, which are established in current laws.

Article 14 — The Union is hereby authorized to collect a fee for the right of exploitation of the telecommunications services and for the use of radio frequencies.

Single Paragraph. The funds obtaining from the fees mentioned in this article shall be destined for the Communications Ministry, for promoting the services and for supporting the functions of the CNC.

Article 15 — The Telecommunications Supervision Fund shall be maintained, and shall be regulated by Law No. 5070 dated 7 July 1996, which created it.

Article 16 — This law shall come into force on the day of its publication.

Article 17 — All resolutions that contradict the terms of this law are hereby repealed.

Brazil: Protection for Phone Equipment Industry Ruled Out

PY2307140396 Sao Paulo AGENCIA ESTADO in Portuguese 2141 GMT 22 Jul 96

[Report by Aldo Renato Soares]

[FBIS Translated Text] Brasilia, 22 Jul (AE) — The consortia that will dispute B-band frquencies for cellular telephone services will be free to buy telecommunications equipment anywhere they want. The government will not include in the bid calls any mechanism to protect the national telecommunications equipment industry. An Industry, Commerce, and Tourism Ministry (MICT) source said today: "The creation of a new market reserve would be a step backward."

The source guaranteed that Industry Minister Francisco Dornelles did not receive any proposal from telecommunications equipment manufacturers to create a protection for this sector. A close assistant of Telecommunications Minister Sergio Motta denied the government would mediate in favor of Brazilian telecommunications equipment manufacturers. "Private investors will chose the equipment, the government will not," said the assistant.

Government experts were surprised at the reaction of some telecommunications industrialists who are asking for protectionist measures for Brazilian-made telecommunications equipment. The MICT source stressed: "The days of market reserve have ended," adding that since the investments will be made by private enterprise, the government should not direct the purchase of equipment. The source added: "I imagine companies will want to buy the best equipment at the lowest price without caring where it was manufactured."

Communications Ministry advisers pointed out that the telephone equipment industries installed in Brazil have an advantage in relation with the equipment manufactured abroad, because they are already on the market. Brazilian foreign policy rules out the idea of protecting the telephone equipment industry.

Having increased import tariffs on cars (from 20 percent to 70 percent), imposed import quotas on textile products, and adopted a temporary safeguard on toy imports (a 70 percent import tariff), it would not look well abroad to now protect our telecommunications equipment industry. These protectionist measures have taken a heavy toll on Brazil and are being discussed at bilateral levels. "All we need now is a policy that discriminates against foreign products," said one diplomatic source ironically.

Brazil: 2 TV Firms Authorized To Use U.S. Satellite

PY2307140696 Sao Paulo FOLHA DE SAO PAULO in Portuguese 20 Jul 96 p Section 1 p 5

[FBIS Translated Text] Communications Minister Sergio Motta has authorized Net Sat Services to transmit its new pay-TV service via parabolic antennas on the U.S. Panamsat 3R satellite.

The resolution with the authorization was signed on 17 July and published in the official gazette on 18 July.

The information that Globo would be authorized to use the foreign satellite was reported by FOLHA on 14 July.

Net Sat is responsible for the pay-TV services via satellite of Globo Organizations, in a consortium with Rupert Murdoch's News Corporation, TCI (the largest U.S. cable television enterprise), and Mexico's Televisa.

Net Sat is headquartered in Sao Paulo. More than 60 percent of its shares are owned by an enterprise called Ivena Inc., which Globo and RBS (Southern Brazil Network) registered at the end of 1995 in Uruguay.

The remaining shares are owned by News DTH do Brazil, which is controlled by two enterprises owned by Rupert Murdoch, that are registered in Grand Cayman, a fiscal haven in the Caribbean.

On the same day he authorized Net Sat, Sergio Motta also signed a resolution authorizing Key TV, of Sao Paulo, to transmit television channels via the U.S. satellite.

Among the owners of Key TV is Romulo Villalba Furtado, a former executive secretary of the Communications Ministry for 16 years (1974 to 1990).

Three enterprises have now been authorized to transmit television signals through the foreign satellite.

The first to be authorized was TVA, of the Abril group. The enterprise will use the U.S. Galaxy satellite, to compete with Globo for the new pay-TV service via parabolic antennas.

When the government authorized TVA to build a base to transmit signals to the U.S. satellite at the end of April, Key TV made the same request.

Key TV claims to be the first to have been authorized to market the services through the Panamsat 3R satellite. This authorization was granted in November 1994 through a resolution signed by former Communications Minister Djalma Moraes.

Despite this authorization, the government did not allow this enterprise to build a base to transmit signals to the satellite, something that Globo and Abril had been authorized to do.

Brazil: Government To Propose Import Quotas on Cars

PY2307170396 Rio de Janeiro O GLOBO in Portuguese 19 Jul 96 p 21

[Article by Eliane Oliveira]

[FBIS Translated Text] Brasilia — Brazil will probably propose to the WTO a system of import quotas for Japan, the ROK, the EU, and the United States, and thus avoid criticism from these countries of the Brazilian automotive regime. Throughout next week, a Brazilian delegation will negotiate an accord, the most important aspect of which will be the establishment of a number of vehicles that can be imported at below the current 70-percent tariffs.

Alfredo Graca Lima, Itamaraty [Brazilian Foreign Ministry headquarters] Economic Department general director, will participate in the negotiations with representatives of the Ministries of Finance, Planning, and Industry, Commerce, and Tourism. He explained that, during informal consultation with these countries, we will try to reach agreement on aspects like the establishment of an import tariff, the date for implementing the measure, and the period during which it will be in force.

This proposal was made to a Japanese delegation that visited Brazil to discuss the automotive regime. This proposal was also made to the ROK, the EU, and the United States. The United States is the only country that has not yet commented on the new system.

Following the United States, Japan is the second largest market for Brazilian exports. Between January and June, Brazil exported $1.509 billion worth of goods to Japan and $4.434 billion worth to the United States.

Graca Lima said: "Our goal is to allow those Japanese and U.S. export companies that still have not invested in Brazil to access our market."

Enterprises that currently export Brazilian products and invest in Brazil have the right to import vehicles at 35 percent duty (half of the tariff in force). Another automotive regime benefit allows reduced tariffs for importing raw materials, spare parts, and equipment.

By 2000, Common Market of the South members will have a unified automotive regime. Until then, Brazil will continue to implement its own regime — which is quite similar to that of Argentina — seeking to win more markets and ensure that exports of vehicles and spare parts enhances our trade balance.

Since the implementation of the new system, 111 projects have been approved: 26 for companies that assemble vehicles and agricultural equipment, and 85 for companies that manufacture car spare parts. These projects represent investments of $17.7 billion before 1999. This has attracted enterprises like Renault and Asia Motors, which will invest $1 billion and $350 million, respectively.

Federal administration estimates predict exports worth $5.5 billion in 1996. In 1995, automobile sales abroad totalled $422.3 million while spare parts sales totaled $1.2 billion.

Luiz Moan Yabiku Junior, assistant director of the Industries Institutional Affairs organization, has said the most significant project so far is that of General Motors, which will invest $2.6 billion and export $3.6 billion worth of product before 1999.

Not only the automotive regime is controversial, however: On 18 July, the EU — supported by the United States and Hong Kong — protested to the WTO over the 70-percent import tariff imposed on toy imports. Graca Lima said the issue was not even on the agenda and that no formal consultation has been posed to Brazil.

Considering the doubts so far expressed, these countries will probably present formal consultations to Brazil within the framework of the WTO, as required by international rules.

Brazil: Trade With Cuba Surges Despite Helms-Burton Law

PY2407011696 Sao Paulo GAZETA MERCANTIL in Portuguese 22 Jul 96 p A5

[Report by Maria Cristina Fernandes]

[FBIS Translated Text] A paradox marked the 10th anniversary of the reestablishment of Brazilian-Cuban relations, which was commemorated at the end of 1995. Under the threat of the Helms-Burton law, the most radical economic embargo instrument ever imposed by the United States on one of the world's last Communist strongholds, Brazilian-Cuban trade reached its best performance of the past six years.

The Brazil-Cuba Chamber of Commerce estimates that if the export level registered in the first half of the year is maintained, the bilateral trade balance of 1996 will reach approximately $150 million, an amount that was surpassed only in 1990. "The commercial results show that Brazilian enterprises have not let the Helms-Burton law intimidate them," Milton Peretti, president of the Brazil-Cuba Chamber of Commerce, has said.

This recuperation has been attributed to the sugar cane harvest — the 4.5 tonnes that was harvested this year represent a 20-percent growth with respect to 1995 — to the fact that Brazil has restarted supplying chemicals to Cuba, and to the reactivation of the demand for diesel motors and soybean byproducts. Tourism, which this year will account for the presence of 1 million visitors, has been considered a currency generating factor that has helped Cuba expand its foreign trade.

While Brazilian exports to Cuba have diversified since 1986, when trade — which stood at only $2 million annually through triangle operations with Panama — Cuban sales have remained concentrated in the area of medicines and medical technology. Milton Peretti estimates that 40 percent of the vaccines that are used in Brazil are of Cuban origin.

The expansion in the trade balance with Brazil reflects a general improvement in Cuba's foreign trade profile, which only over the past two years has started recuperating from the crisis caused by the end of the subsidized trade with the former Soviet Union. According to official estimates, the balance of trade is expected to grow by 8 to 9 percent this year. The Cuban GDP (gross domestic product), which last year grew by 0.7 percent, has already grown by 2.7 percent in the first half of 1996.

The recuperation of Cuban foreign trade has had to cope with the transportation difficulties imposed by the Toricelli Law in 1992, which closed U.S. ports for 180 days to all ships anchoring in Cuban ports. "A good deal of maritime transportation is made through transshipping (reshipment of merchandise at another port) and this is still one of the main problems," Peretti said.

The euphoria on the trade balance has not been echoed by the political area. Entrepreneurs complain that Brazil should have issued an official communique repudiating the Helms-Burton law, as was done by most European and Latin American countries, which claimed that their sovereignty was hurt by the U.S. attempt to "globalize" the commercial embargo that the United Stated imposed 35 years ago.

Entrepreneurial circles consider that the Brazilian position is the result of the pragmatic stance that the Brazilian Government has adopted, because of its bid for a permanent seat at the UN Security Council. The Cuban Embassy, however, is officially satisfied with the Brazilian position, which was expressed within the Organization of American States (OAS). "Brazil has clearly rejected the Helms-Burton law," Cuban Ambassador Ramon Parodi has said.

The decision to express the Brazilian position on Cuba exclusively at multilateral organs like the OAS had already been made by Francisco Rezek — who was foreign minister during the government of Fernando Collor de Mello — when Cuba refused to sign the Tlatelolco Treaty for nuclear nonproliferation. On that occasion, Rezek deplored Cuba's resistance to making "minimum gestures of good will."

Cuban President Fidel Castro visited Brazil three times during the 10 years following the reestablishment of relations — for Fernando Collor de Mello's inauguration in 1990, for the Rio Conference in 1992, and for the Ibero-American Summit in Salvador in 1993. No Brazilian president has visited Cuba in that period, a fact that Ambassador Parodi considers "normal." "During this government's term, three ministers (Communications Minister Sergio Motta, Transport Minister Odacir Klein, and Strategic Affairs Secretary Ronaldo Sardenberg) and two governors, Antonio Britto and Cristovam Buarque, have visited Cuba," the ambassador said.

The presence of Minister Motta in Havana promoted an agreement that was being negotiated by Brazilian enterprises and Etecsa, a mixed capital telecommunications enterprise with Mexican participation. The contract negotiated with Brazilian telecommunications enterprises has been kept secret, but it has already produced the inclusion of Equitel, a manufacturer of telephone sets, in the list of Brazilian exporters to Cuba in 1996.

With 216 enterprises that are registered in the bilateral Chamber of Commerce, which are headquartered in Sao Paulo, and with 35 enterprises that are headquartered in Cuba, Brazil has tried to regain ground in light of the progress made by countries like Chile, which is using part of Cuba's idle industrial capacity for processing semimanufactured goods. "Commercial exchange has not yet reached its full potential," the ambassador said.

Brazil: Pastore on Dilemmas of Exchange Rate Anchor

96SM0424A Sao Paulo GAZETA MERCANTIL in Portuguese 1 Jul 96 p 1

[Article by Affonso Celso Pastore, former president of the Central Bank of Brazil, professor, and consultant to A.C. Pastore Consultants: "The Dilemmas Involved in Choosing the Exchange Rate Anchor"]

[FBIS Translated Text] Why did the monetary reform of June 1994 lead to a drop in inflation without fiscal reform? In the period preceding the reform, inflation was only one part of a fiscal phenomenon. The high rates were due to the indexation of prices and wages on the one hand and, on the other, the quasi-indexation of the exchange rate, which accentuated price rigidity and provoked monetary passivity. Any "shocks" causing an independent rise in prices—a poor agricultural season, for example—were reflected in all other prices and in the exchange rate. If the Central Bank raised the interest rate to reduce the demand for goods, the result would be an inflow of capital, and that, in the absence of intervention in the exchange market, would increase the exchange rate.

The effect of maintaining a fixed real exchange rate was that the contraction of the monetary base brought on by selling securities on the open market was neutralized by the expansion caused by the accumulation of reserves, thus making the currency passive. The exchange rate could not be the nominal anchor because it was indexed to domestic prices, and the currency could not be the anchor because it was passive. The inflationary effects of any shocks never dissipated; instead, they were permanently incorporated into the inflation rates.

Monetary reform removed indexing and along with it the uncertainty surrounding inflation rates. Few people disagree with that diagnosis. That particular inflationary inertia, in which inflationary shocks were permanently incorporated into inflation rates, was partly a monetary phenomenon, and removing it required a monetary reform. From that point on, the two points of equilibrium—the domestic one expressing itself in price stabilization and the external one expressing itself in the generation of sustainable deficits on current account—would have to be based on the proper management of monetary, fiscal, and exchange policies.

The nominal exchange rate is the price, expressed in national currency, of a unit of foreign currency, and in an open economy it determines the nominal price of international goods—those that can be imported or exported or their proximate or remote substitutes. In an open economy, stabilization of the nominal exchange rate (which does not imply its immutability) results in stabilization of the price level. But the real exchange rate is a relative price. It measures the relationship between the prices of international goods and those of domestic goods, the latter being defined as goods which can be neither imported nor exported. Services are one example. The stability of the nominal exchange rate produces stability in the price level, whereas the real exchange rate is one of the factors determining external equilibrium. The nominal exchange rate was the anchor chosen, and although stabilizing prices means stabilizing the nominal exchange rate, the value of the latter cannot be fixed artificially. Determining its level requires management of the monetary and fiscal policies in such a way as to generate the compatible level of absorption.

To appreciate that point, let us assume that the price level and the nominal exchange rate are constant and consider the following equation:

$$(C+I+G) - y = (M-X)$$

in which "absorption" (the sum of consumption (C), investment (I), and public spending (G)) minus total production (y) equals the deficit on current account (M-X). If the fiscal policy is expansionist, leading to a growth in public spending—the purpose being to keep external deficits from growing—it is necessary to reduce consumption and private investment, something that can be achieved by a contractionist monetary policy. Maintaining a stable nominal exchange rate is only possible when there are sustainable deficits on current account, something that requires an adequate level of absorption.

Since the introduction of the program, real interest rates have been extremely high, but this has not hindered the growth of absorption, partly because the fiscal policy has been expansionist, with significant growth in the operating deficits, and partly because private consumption rose during the early months of the program. The government rejected the fixed exchange rate system and, possibly with the intention of controlling the monetary aggregates, initially allowed the nominal exchange rate to be set by supply and demand on the part of the private sector alone. Since the exchange rate is determined in the short term on the capital market, the incipient entry of capital caused it to rise. The nominal exchange rate declined because the nominal rate was flexible and interest rates were high, and the real exchange rate rose even higher because the nominal price of domestic goods rose in proportion to the rise in private spending and expansionist fiscal policy. As a result, we had a sharp increase in imports generated by higher incomes and the higher exchange rate, causing a surge of unsustainable deficits on current account during the first half of 1995. The commitment to price stability led the government to avoid devaluation. It chose instead to reduce absorption by means of a more contractionist monetary policy. The slowdown that followed caused a drop in imports and restored the deficits on current account to sustainable levels, but at the cost of a number of important consequences.

The first such consequence was the increase in private insolvency and in the banking system's problems, which are involving costs even in the fiscal area. The second was the need to alter the exchange rules. The free float was abandoned, and the nominal exchange rate was adjusted to stay more or less in step with the rise in wholesale prices. With an exchange rate that is (more or less) fixed, high domestic interest rates have been encouraging an inflow of capital, forcing the Central Bank to neutralize the resulting expansion by increasing the domestic debt. In other words, a contractionist monetary policy has been provoking an expansionist fiscal policy. The growth in the public debt has been occurring principally because of the accumulation of reserves and only partly because of the public deficits, even though the latter exist and are high.

We now have more than $50 billion in reserves, and there is reason to ask whether that is beneficial for the economy or not. The benefit of a stock of reserves is that it reduces the cost of adjustments to the balance of payments if and when such adjustments become necessary, and its cost is the flow of interest paid on the domestic debt created to neutralize the monetary expansion represented by that accumulation minus the receipt of interest earned from investing the reserves. The desirable level of reserves increases with the probability of having to make adjustments and decreases with the domestic interest rate. Countries with levels of macroeconomic instability similar to Brazil's choose a level of reserves amounting to about 20 percent of their foreign trade, and Brazil currently has over 50 percent. With a difference of 10 percent between domestic and international interest rates, it would be possible to reduce the fiscal cost of that stock of reserves by about $3 billion per year. Are the reserves high because the government did not make those calculations or because it is convinced that the country's level of macroeconomic instability is higher and that it will have to make adjustments to the balance of payments requiring the use of the reserves?

Would it be better for the country to work with a higher exchange rate or with a lower one? For someone whose liabilities are denominated in dollars but who invests his assets in reals to take advantage of the difference, a gradually rising exchange rate is extremely beneficial, especially if the domestic interest rate is high. But for someone who produces international goods such as cloth, garments, auto parts, capital goods, raw materials, and equipment for the electro-electronic industry, the combination of a high exchange rate and high domestic interest rates is extremely harmful. The abundance of lines of import financing available for generating favorable financing conditions relative to those which those sectors can grant domestically makes the problem even worse. Despite attempts to control the flow of capital, the inflow continues high, and one of the main channels has been financing for foreign trade. Not only for exports, but chiefly for imports. A permanent reduction in the levels of protection is necessary for improving productive efficiency, but domestic producers of final and intermediate goods are facing that situation with a high exchange rate and financing conditions much inferior to those available to foreign competitors.

A lower exchange rate creates more incentive to export and therefore leads to the possibility of greater growth in imports, something that supports higher rates of economic growth. It simultaneously generates lower levels of pressure to increase protectionism, something that is more compatible with increasing and continuing the efficiency in allocating resources that is required for economic development.

When anyone talks about a lower real exchange rate, however, he is immediately accused of advocating a maxidevaluation and being in favor of more inflation. That is not true. The experience in many countries that have been through programs similar to ours shows that with proper management of fiscal and monetary policies, it is possible to alter the relative prices of international and domestic goods without producing more than a merely temporary and short-term rise in inflation rates, which quickly revert to their previous average. That was the experience in Israel when it abandoned a fixed exchange rate and, before moving toward the system of foreign exchange bands, devalued the shekel in a constant attempt to devalue only as much as necessary to restore relative prices, doing so in order to create the conditions for growth, not to hastily solve an emerging difficulty in the balance of payments.

As far as the accusation of wanting inflation is concerned, it should be remembered that development cannot be resumed just because the monetary authority increases the rate of growth in the monetary base. Continual monetary expansion is not the path to economic stimulation; it merely produces a temporary euphoria like that occurring in connection with the Cruzado Plan, which leads to more inflation further down the road. Development requires stability, which can only be achieved through monetary control, which in turn requires fiscal control. On this point, it is useful to recall the saying attributed by Von Hayek to Lenin: "If you want to destroy an economy, all you have to do is destroy its currency." Argentina and Brazil came close to that point, basically because in the past they played with their currencies and decided to live with inflation. Stabilization can only be achieved when monetary experiments without a scientific basis are abandoned. But the continuation of a high exchange rate, an excessively contractionist monetary policy, and an excessively expansionist fiscal policy is far from being a combination of instruments having a proven scientific basis and allowing one to say that the war against inflation has been won.

Brazil: Businessmen Polled on Economy, Real Plan

96SM0424B Sao Paulo GAZETA MERCANTIL in Portuguese 1 Jul 96 p A9

[Article by Maria Aparecida Damasco: "The Challenge Now Is Growth"]

[FBIS Translated Text] Sao Paulo—Businessmen and executives believe that the exchange policy is proceeding at the right pace and that there is no danger of a reacceleration of inflation. The measures adopted to loosen credit and encourage exports are, however, considered inadequate for promoting a reactivation of the economy. They also express support for the idea of allowing reelection of the president of the republic as early as 1998—in other words, in time to let Fernando Henrique Cardoso himself be reelected.

Those conclusions are drawn from a poll conducted by the Gallup Institute exclusively for GAZETA MERCANTIL. On 26 and 27 June, Gallup interviewed the top management of 104 major firms in the states of Sao Paulo, Rio de Janeiro, Minas Gerais, Parana, Santa Catarina, and Rio Grande do Sul. Those selected were representatives of four banks, 19 service companies, 22 commercial chains, and 59 industrial firms out of a universe consisting of the 10,000 largest firms operating in Brazil, with an annual billing of over $100 million.

Their answers clearly reflect the change in focus that has taken place in the assessments and apprehensions of businessmen and executives in this second year of the Real Plan. In other words, it is now clear that so far the government has done its best to implement a typical stabilization program—and in that regard it has been successful. Accumulated inflation from July 1994 to June of this year as measured by the Economic Research Institute Foundation's [FIPE's] Consumer Price Index (IPC) totaled 51.47 percent—or slightly more than the monthly inflation rates during the days of superinflation.

According to 59 percent of those polled, inflation will probably remain at its current levels over the next 12 months. And a fairly sizable contingent (20 percent) has an even more favorable expectation—that it will decline. Only 20 percent predict higher inflation during the real's third year. Fears that prices will again rise sharply have apparently been left behind. Highs in the indexes for certain months are now regarded simply as peaks and no longer as an inevitable change in the inflation curve.

In the businessmen's opinion, what is needed now is a second stage of the Real Plan. Or better yet, a transition from a stabilization plan to an economic plan that can formulate guidelines, open up long-term horizons, and allow a resumption of sustained growth—a National Development Plan (PND) turned inside out: without the defects of authoritarianism and the unreality of the years of the economic miracle.

The biggest surprise in the poll has to do with the exchange policy. After a long period of sharp attacks on the overvalued real and its harmful effects on foreign trade and monetary policy, 59 percent of those polled by Gallup say they are convinced that the exchange policy is moving at the right pace. Only 30 percent want a faster devaluation. There is even a fair percentage (8 percent) that would support a slower devaluation of the currency.

Apparently the improvement in the performance of the trade balance, although modest, in combination with the government's willingness to expand export financing and protect the more sensitive sectors from competition from imports—examples being the textile, garment, and toy industries—is beginning to convince some of the businessmen that it is possible to move ahead without accelerating the pace of currency devaluations. Or at least that keeping the exchange rate anchor is crucial for ensuring the survival of the real.

If there is no exchange rate jolt, the expectation is that the trade deficit of $3.2 billion in 1995 may be transformed into a surplus on the order of $1 billion this year—enough to achieve a deficit on current account that can easily be financed with the abundance of foreign money that has been invading the market.

The resumption of growth, on the other hand, is turning into a genuine obsession in this second year of the Real Plan. An obsession fully justified by the deterioration in indicators tracking the "real side" of the economy since the middle of last year.

Only now has industry in Sao Paulo managed to return to the level of activity recorded in March 1995, according to seasonally adjusted calculations by the Sao Paulo State Federation of Industries (FIESP). The employment level in the second week of June this year showed a drop of 11.42 percent compared to the start of the plan. The number of approved compositions to avoid bankruptcy and of actual bankruptcies in Sao Paulo State rose respectively by 325 and 225 percent between the start of the Real Plan and May of this year, according to data from the Sao Paulo Trade Association.

The overwhelming majority of those polled by Gallup (81 percent) feel that the government's actions—basically its dismantling of the arsenal of restrictions on credit, gradual reduction of interest rates, and financing for export industries—are still insufficient for reanimating the economy. They want more. And in that respect, they are in tune with what other sectors of society are saying.

Gallup's poll also reveals that Fernando Henrique Cardoso's administration enjoys strong support among businessmen. Among top businessmen and executives, the Real Plan is apparently continuing to be a efficient votegetter for Fernando Henrique. Of the total number polled, 82 percent support reelection of the president of the republic and 16 percent are opposed. Even more significant is the number supporting the reelection of Fernando Henrique himself: 73 percent.

Brazil: Roundup of Economic Reports Through 22 Jul

PY2307194096

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 22 July.

FINANCIAL OPERATIONS

Record Foreign Investment in June — Altamir Lopes, head of the Central Bank (BC) Economic Department, has reported that direct foreign investments reached a record figure in June: $1.1 billion. Lopes added that the June figure is all the more significant because the investments were spread out in several areas, unlike the $1.6 billion reported in May — of which $1.2 billion was part of the Light privatization proceeds. The BC reported that the inflow of foreign investments totaled $4.37 billion during the first half of 1996. (Sao Paulo AGENCIA ESTADO in Portuguese 2058 GMT 19 Jul 96)

FISCAL, MONETARY ISSUES

Accrued Treasury Deficit — National Treasury Secretary Murilo Portugal today reported that the federal administration's treasury deficit stood at 2.01 billion reals, R, in June, thus bringing the accrued deficit during the first half of 1996 to R5.86 billion. This amount is 113 times bigger than the R519 million accrued deficit reported during the first half of 1995. Portugal attributed the deficit to a drop in revenues and to interest paid on both the foreign and domestic debt. He noted that while interest payments totaled R9.8 billion as of June this year, they amounted to only R6.8 billion during the same period of 1995. He said the deficit will be reversed in the next few months. In June, the administration collected R7.3 billion in revenues, but its expenses totaled R9.4 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 2221 GMT 22 Jul 96)

BC Disburses Proer Funds — The BC disbursed $1.008 billion of Proer — Program To Encourage the Reorganization and Strengthening of the National Financial System — in June. A large portion of this amount went to the Economico Bank, which used it to repay a loan to the BC itself. The impact of the Proer disbursement on the monetary base stood at only $352 million because the remaining $656 million did not leave the BC coffers. From November 1995 to June 1996, the BC disbursed more than R13.15 billion in Proer funds, but it retained R4.35 billion. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 20 Jul 96 p B7)

Public Deficit Rises — The BC reported today that the operational public deficit stood at R9.067 billion — which accounts for 3.1 percent of the GDP — from January to May 1996. The public deficit increase was provoked almost exclusively by the state and municipal administrations, whose accrued deficit of R5.189 billion during the January-April period climbed to R6.306 billion during the January-May period. By contrast, the federal administration managed to reduce its operational deficit from R3.373 billion during the January-April period to R2.795 billion during the January-May period. The nominal public deficit, which takes into account all debt-generated expenses, stood at R17.436 billion during the January-May period; that is, 5.96 percent of the GDP. The nominal deficit during the January-

April period had amounted to R14.108 billion. While state and municipal administrations accounted for a better part of the nominal public deficit; that is, R9.967 billion, the federal administration also reported a R6.239 billion nominal deficit during this period. (Sao Paulo AGENCIA ESTADO in Portuguese 1948 GMT 19 Jul 96)

June Monetary Base — The monetary base stood at R16.807 billion by the end of June, which entailed a 3.3 percent growth over the May figure. Compared to May, the federal administration did not have to make a great effort in June to keep the monetary base under control. In June, the federal administration had to sell only R668 million in bonds to prevent monetary expansion. In May, the administration was forced to sell R10.274 billion in bonds, especially to reduce the impact of the issuance of currency stemming from capitalization of the Bank of Brazil. (Sao Paulo AGENCIA ESTADO in Portuguese 2144 GMT 19 Jul 96)

Social Security Deficit — Jose Cechin, executive secretary of the Social Security Ministry, yesterday reported that the social security deficit totaled R1.005 billion during the first half of 1996. While social security revenues totaled R17.274 billion, expenses involved in payment of benefits amounted to R18.279 billion during this period. The deficit occurred despite the fact that social security real revenues increased by 9.7 percent during this period compared to the same period of 1995. The problem is that the cost involved in payment of benefits also increased by 22 percent, particularly on account of the minimum wage increase. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 19 Jul 96 p A5)

PRIVATIZATION

Foreign Companies Interested in Cemig stocks — Four major foreign companies — EDS of France, Ontario Ydro of Canada, Chilectra of Chile, and Southern Electric of the United States — are engaged in a behind-the-scenes battle over 33 percent of the ordinary stocks of Cemig, Minas Gerais Electric Powerplants, Inc. Cemig's net worth as of December 1995 was estimated at R7.2 billion. With 270,000 km of power lines, Cemig is considered to be the largest power distributor in Latin America. After the sale is concluded, the state of Minas Gerais will retain 51 percent of Cemig ordinary stocks and nearly 6 percent of preferred stocks. Earlier this year, 12 percent of Cemig preferred stocks had been sold. Through a public bidding to be held within 90 days, the Cemig stocks are expected to yield R1.2 billion. (Rio de Janeiro O GLOBO in Portuguese 22 Jul 96 p 20)

TRADE ISSUES

Ethanol Imports Within Mercosur — The Brazilian Foreign Ministry has obtained the concurrence of its Mercosur — Common Market of the South — partners to put 10 more items on the list of products subjected to a flexible import tariff; that is, the former Dallari list. Brazil needs these exemptions to meet its domestic requirements. For instance, ethanol will continue to be exempted from import duties until December this year. Carlos Alberto Sima, chief of the Foreign Ministry, Mercosur Department, said this exemption is designed to prevent a shortage on the domestic market because imports of fuel alcohol in 1996 are expected to total $400 million. Other items included in the above list are pesticides and fishing equipment, whose imports are expected to total $600 million. (Rio de Janeiro O GLOBO in Portuguese 19 Jul 96 p 21)

Brazil: Correction—Globo Organizations Register Firm

PY1907160496 Sao Paulo FOLHA DE SAO PAULO in Portuguese 14 Jul 96 Section 1 p 14

[Corrected version of article by Elvira Lobato, originally filed as PY1807231796 and published on pages 27-28 of the 19 July Latin America DAILY REPORT; retranslating "social" to "corporate" throughout text]

[FBIS Translated Text] A Uruguayan enterprise called Ivens Inc. controls one of the largest undertakings of the Globo Organizations: the subscription television service, via satellite, for mini parabolic antennae.

The enterprise belongs to the Marinho family in partnership with the Sirotsky family of the RBS (Brazil South Communications Network), which has 20 percent of the Ivens capital. The RBS, one of the largest regional communications groups in the country, is headquartered in Rio Grande do Sul State, and is a Globo Organizations partner in several operations with subscription cable television services. It is also affiliated with Rede Globo Television.

Ivens Inc., however, exists only on paper. It was created in 1995 in order to avoid paying Brazilian taxes and was registered with the address of the entrepreneurial affairs consulting company, KPMG, in Montevideo.

FOLHA DE SAO PAULO could confirm the existence of the Uruguayan enterprise in the files of the Sao Paulo Trade Board, where Ivens appears as having 60 percent of the Net Sat Servicos shares. This enterprise is responsible for the Globo Organizations subscription television services via satellite.

The other 40 percent of the Net Sat shares have already been transferred to the international communications magnate, Rupert Murdoch, who is the Marinho family's main partner in the new subscription television service, via satellite, through mini parabolic antennae. This project is meant for the entire Latin American market.

Murdoch has become a partner of the Marinho family through the News DTH of Brazil Trade and Investment, which was registered on the Sao Paulo Trade Board in November 1995.

According to data supplied by the Board, News DTH is also controlled from a tax haven: the Cayman Islands in the Caribbean.

News DTH of Brazil belongs to two other Murdoch enterprises: News DTH Investment and News Cayman Holdings. Their address is a P.O. Box in Georgetown (Grand Cayman).

Tricks to avoid paying taxes are common, but in this case, they can cause embarrassment for the Brazilian Government and the Globo Organizations.

In Brazil, there are no rules for subscription television services via satellite. The federal administration, however, started public debates on the issue based on a project stipulating that the service can only be exploited by enterprises that have at least 51 percent of their shares in the hands of Brazilian shareholders.

Nevertheless, an enterprise registered abroad is deemed foreign even if it belongs to Brazilians, because it has been created in accordance with the laws of another country.

According to attorneys Ives Gandra and Sergio Bermudes, any enterprise registered abroad is a foreign enterprise. The two asserted this without learning the contents of this newspaper article.

Gandra says that our laws only deem Brazilian the enterprises that registered their corporate contracts (the acts that constitute the enterprise) on Brazilian trade boards.

The Ivens Inc. enterprise has been registered in the General Directorate of Taxation (which is equivalent to a trade board) in Montevideo and complies with Uruguayan laws.

According to this reasoning, the Net Sat is currently controlled by capital that is 100 percent foreign. If the rules the federal administration plans to implement prevail, the Net Sat enterprise cannot exploit the subscription television service via satellite.

The Net Sat documents filed at the Sao Paulo Trade Board indicate that since it was created in September 1993, the enterprise has changed its corporate contract 11 times. It was registered under the name of Globopar and Net Brazil (another enterprise controlled by the Globo Organizations), with a corporate capital that was too small for the time: only 1,000 cruzeiros (exactly $9.98). This capital remained the same for four years.

The decision to transfer control of the Net Sat capital to the Uruguayan enterprise, as well as Rupert Murdoch's admittance as a partner, have involved two operations conducted only one month apart.

On 4 December 1995, Ivens purchased for 500,000 reals [R] 99 percent of the Net Sat shares that belonged to Net Brazil. At the beginning of January, it sold 40 percent of the enterprise to Murdoch's News DTH of Brazil, for R1.59 million.

Brazil: Correction—Drug 'Curse' on Samper Viewed

PY1907161496 Rio de Janeiro JORNAL DO BRASIL in Portuguese 16 Jul 96 p 10

[Corrected version of editorial "Curse of the Drug," originally filed as PY1807172796 and published on page 24 of the 19 July Latin America DAILY REPORT; retranslating words within slantlines throughout text]

[FBIS Translated Text] Events in Colombia have reached a point of no return. Two days after the election of President Ernesto Samper on 19 June 1994, cassette tapes began to circulate with evidence that the Cali cartel financed his campaign. Since then, Samper has been balancing on a tight rope, to the point that the U.S. Government announced that it would not grant him an entry visa.

Meanwhile, the treasurer of Samper's election campaign and his defense minister, later imprisoned, admitted the drug trafficking contribution. Twice Samper tried to cut the Gordian knot by taking the case to Congress, where he is supported by the majority and where, logically, he was acquitted twice. A business leader made two criticisms on Congress' decision: "The whole pro-government bloc was elected with money from the mafia which has taken control of the government. Those who acquitted Samper are as unworthy as him."

The /blacklisting/ of Samper's passport caused some protests inside and outside Colombia, but mainly inside. There are some who say that the decision was not only "humiliating and infamous" but that it represents the beginning of a rosary of economic sanctions and international discredit. Such a thing was nonetheless expected since March when the United States did not include Colombia in the annual list of countries considered as allies in the struggle against drug trafficking.

Samper's tightrope walk could /not have ended any other way./ Other countries react with arrogance to sanctions (Cuba, for the past 36 years; Israel regarding the Arab countries for the past 48 years; and Iraq, since the Gulf War), but none of them are cursed by the drug trafficking problem. The drug problem does not affect only Colombia; it affects the whole world and even Brazil by turning it into a drug route. This is why the ostrich attitude adopted by Samper shows the bad / handling/ of the crisis. It not only leads to his "political death" but to the death of thousands, perhaps millions of drug consumers in the whole world, affected by a vice that does not cease to grow in our societies.

At first glance the arm wrestling between the United States and Colombia resembles the fight between David and Goliath. That is a mere impression. Behind it there is a drug cartel that /evolved/ into a state within the state and it is doing everything possible to prevent the extradition of its chiefs. Samper, at this stage of the crisis, is not being the victim of Goliath, but of the smartness of the Colombian drug traffickers who financed him an allowed the information to leak. They are the heart of the problem.

Chile

Chile: U.S. Envoy's Comments Described as 'Senseless'

PY2307202096 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1100 GMT 23 Jul 96

[Speakers identified by screen caption]

[FBIS Translated Excerpt] The U.S. ambassador has caused a major controversy when he said that in Chile the government is not in full control of the military.

In view of this Chilean officials vehemently disagreed with the ambassador and said that the diplomat is wrong.

[Begin recording] [Unidentified reporter] During a news conference characterized by a sincerity unusual in the diplomatic world, U.S. Ambassador Gabriel Guerra-Mondragon reasserted the excellent level of U.S. ties with Latin America, particularly with Chile.

He said that controversial measures such as the Helms-Burton law and the cancellation of Colombian President Ernesto Samper's visa are isolated events that do not affect overall ties.

About the eventual lifting of the ban on the sale of high-technology weapons to Latin America, in force since the Carter administration, the U.S. ambassador acknowledged that there is a disagreement over this issue between the Pentagon, which is considering selling weapons without restrictions, and the U.S. Department of State, which prefers to keep the ban so as not to encourage an arms race.

In addition, people argue that although it is true that democracy prevails in the region, military power is still in the shadows. [passage omitted]

[Senator Gabriel Valdes, chairman of the Foreign Relations Committee] It is absolutely absurd and senseless to say such a thing. The rule of law prevails in Chile and the Armed Forces are truly subordinated to civilian power.

There is absolutely no doubt about this. I do not think such a thing can be ascertained by anyone because it shows a complete unawareness of the real situation in Chile.

[Defense Minister Perez Yoma, in progress] ...There are no problems regarding civilian power vis-a-vis military power. This is a fact that this is clearly established in the Constitution and in practice it is something that can be witnessed on a daily basis. Therefore, any different opinion is mere whimsical speculation.

[Foreign Minister Jose Miguel Insulza, in progress] ...In Chile, the Armed Forces are subordinated to civilian power.

[Reporter] This statement obviously took Foreign Minister Insulza by surprise because it is odd for a diplomat to make a public comment about domestic issues of his host country.

The foreign minister declined to make any more comments until learning in detail about the diplomat's statement.

It was learned that Foreign Minister Insulza phoned [Ambassador] Guerra Mondragon to this effect and to learn the true extent of his statement. [end recording]

Let us learn more opinions about this same issue:

Deputy Jorge Pizarro, Christian Democratic Party [PDC] vice president, said that what U.S. Ambassador Guerra-Mondragon said about Chilean civilian power having no control over the military is true.

Pizarro said: Anyone can arrive at the same conclusion. It is a fact that there is an Armed Forces Organizational Law which impedes the president from exercising power over the defense institutions.

At any rate the U.S. ambassador's statement were inappropriate because this is an issue that has political connotations.

Chile: Ideas for Trade Liberalization Submitted to APEC

PY2407011296 Santiago EL MERCURIO in Spanish 22 Jul 96 pp B1, B7

[Article by special correspondent German Maldonado in Auckland]

[FBIS Translated Text] APEC [Asia-Pacific Economic Cooperation] member countries expect that their trade liberalization program will have been completed by the time their next meeting is held in the Philippine capital in November — i.e. within the next four months. With the submission of the definite timetable for the phasing out of tariffs at the Manila meeting, APEC member countries will become the leaders in the economic opening process at world level.

The current timetable put together by the WTO establishes that industrial countries will phase out tariffs by the year 2010 whereas developing countries will do so by 2020. Nevertheless, APEC member countries, which met in the New Zealand City of Christchurch, agreed that the WTO deadlines will only be used as a frame of reference, but that APEC members will establish their own timetables as they underscored the fact that the bloc seeks to accelerate this process at international level.

This is a most significant decision bearing in mind the fact that 18 countries on the Pacific rim — including the PRC, Japan, and the United States — which account for 45 percent of world trade and 52 percent of the world's GDP, are members of APEC.

It goes without saying that the case of Chile is most important as it belongs to the group of countries which ought to phase out their tariffs by 2020. Nevertheless, Economy Minister Alvaro Garcia submitted, on behalf of the Frei administration, a proposal to WTO Director General Renato Ruggiero whereby that deadline might unilaterally be brought forward from 2020 to 2010.

Garcia himself explained the scope of and the reasons for the Chilean proposal.

The economy minister termed last week's APEC meeting an important step forward in the consolidation of a vast free trade area.

Garcia said: "Member countries have agreed to promote WTO endeavors by setting a good example; they have thus pledged to honor all the commitments they have taken on with the WTO by November."

In the course of the Manila meeting — which has been labelled as crucial — each member country will submit its proposal for full trade liberalization as well as the timetable to materialize this proposal, which will subsequently be submitted at the WTO meeting convened for December to analyze the progress the various areas of the world have made in this subject.

Moreover, Chile, together with several other APEC member countries, put forward the idea of including new subjects for discussion within APEC — and then within the WTO — like the deepening of the accord geared to liberalizing trade in agricultural products and the inclusion of industrial products, which had been so far excluded from the APEC agenda. The economy minister further stated: "Both things were included on the agenda; besides, working groups will be established to look into these issues as well as into the ones pertaining to investment and competition policies."

The inclusion of these two subjects might result in the WTO calling a new round of negotiations — which is precisely what APEC seeks — which might be held by the turn of the century.

The economy minister declared that the sectorial advances in the WTO have been scant since it only made some headway in one of the four subjects to which it was going to devote its efforts, namely the issue of movement of people. As far as the other three are concerned — telecommunications, finance, and sea transport — there has been very little or no progress at all. Garcia pointed out: "Given this state of affairs, Chile and other APEC member countries pointed out that in light of the failure of the approach followed by the WTO, these subjects ought to be discussed at a new round of global negotiations."

Furthermore, Chile and New Zealand moved that a general framework be established for the topic of trade and the environment.

Changing the subject, Garcia said that our country — together with Australia, New Zealand, Hong Kong, and Singapore — is regarded within APEC as one of the nations that has made the most rapid strides in its trade opening drive. The minister underscored that so far, Chile is the only developing country which has renounced the possibility of phasing out its tariffs by 2020, as provided for by the WTO.

Garcia stressed that this decision is in line with Chile's strategy aimed at fostering unilateral economic opening concurrent with the signature of regional trade accords.

The economy minister underlined that ASEAN [Association of South-East Asian Nations] member countries — including Thailand, Vietnam, Indonesia, and others, with a population of 400 million — also put forward an interesting opening drive, which provides for the gradual reduction of tariffs from the current 15 percent to an average level of 3.5 percent by the year 2000.

Chile: Acting Air Force Chief Evaluates Fighter Purchase

PY2407014796 Santiago EL MERCURIO in Spanish 23 Jul 96 p C4

[FBIS Translated Excerpt] General Maximo Venegas, acting commander of the Chilean Air Force [FACh], has pointed out that the purchase of U.S. fighters is not a priority for the Air Force, therefore it is not a problem if the U.S. Government decides to open up its market to South American countries.

Regarding the report on this issue published by THE NEW YORK TIMES on 22 July, Venegas, who is the acting commander while Air Force Chief General Fernando Rojas Vender is visiting the United States, confirmed that the FACh has been evaluating for several months the replacement in late 1998 of the A-37 Dragonfly fighter planes.

He said that the choices being considered include the French Mirage 2000-5, the Swedish Saab JAS-39 Gripen, and perhaps the U.S. F-16 Falcon. Defense experts added to the list the U.S. F/A-18 Hornet, and even the Russian MiG-29.

General Venegas said: "One thing should be made clear: Before we consider the aircraft they must be available on the market and so far the F-16 is not available to South America."

Therefore, he said, the FACh is not anxious to buy the F-16 because there are many other choices of similar specifications and prices available.

Venegas added: "We are in the evaluating process and we will choose in late 1998 the fighters that best fulfill our specifications. We have two and one-half years to make a decision and during that time new aircraft may appear."

The information given by Gen. Venegas was confirmed by Defense Minister Edmundo Perez Yoma, who said yesterday at the government house that neither the government nor the FACh have changed the plans for materiel replacement.

Perez Yoma said that as already reported, the A-37 fighters will be replaced in 1998 and that "anything else said in this regard is press speculation." Perez Yoma added that the report published by THE NEW YORK TIMES "does not affect the development of the purchase plans."

About the report that Argentina is reportedly obstructing the Chilean purchase of the F-16, Perez Yoma insisted that this is also press speculation, therefore he refused to make any serious comments because the article refers to an Argentine official who has not been identified.

Perez Yoma said that his recent visit to the United States and his meeting with Defense Secretary William Perry had nothing to do with this case. [passage omitted]

General Venegas said that if the U.S. Government allows the sale of the F-16 and the FACh shows interest in buying it, these fighters must still fulfill certain basic requirements, even if their prices are attractive.

He added: "This is why we are in the selection process because we believe that the fighter replacing the A-37 must have at least the technology we already have in our F-5 Panther or Elkan. In the case of the F-16, it must be either the C or D models because they have equipment already available in the Swedish Gripen and the French Mirage 2000-5."

General Venegas noted that if the U.S. market opens up giving a good offer for the A or B series of the F-16, the offer would be rejected because its technology, operational and maintenance costs, and lifespan are way below the FACh operational standards.

Asked about the FACh dependence on U.S. materiel, General Venegas said that the institution has equipment from many countries like France, Belgium, Israel, Great Britain, and others.

Regarding the dependency of the Chilean Armed Forces on war materiel, military sources said that there is practically no longer any dependency following the blockade created by the Kennedy Amendment. [passage omitted]

Chile: Interior Official Denies Presence of Drug Cartels

PY2307140596 Santiago EL MERCURIO in Spanish 20 Jul 96 p C5

[FBIS Translated Text] Interior Ministry Under Secretary Belisario Velasco yesterday said that in Chile there are no such things as "drug cartels" dedicated to selling drugs internationally. He added that the situation — of criminal organizations that are operating in the country — is being controlled by the police and the judicial branch. Velasco referred to the latest cocaine seizures by carabineros, confirming that drugs have left Chile in the recent past for several countries throughout the world.

Velasco said that it is impossible to ignore that those substances have been shipped abroad from our territory and that there is evidence of it.

He reported that Chilean drug traffickers have been arrested in Europe and America with the coordinated work of the police with those of other countries.

The under secretary said that the work of the customs office, the investigative police, and carabineros have allowed the detection of those shipments.

It has been learned over the past few days that carabineros have seized a large amount of drugs at the port of San Antonio, which then led to the seizure of 500 kilograms of cocaine inside a container. This seizure is one of the largest seized in the country after that detected in Arica in 1993 when another container was found carrying 500 kilograms of cocaine.

When asked about the involvement of former Colombian diplomat Eduardo Botero in the drug seizure in San Antonio, and that he has been operating for a long time in Chile, and that this fact could imply the presence of a cartel, Velasco explained that an organization of that type needs to have continuous production, marketing, and trafficking of drugs.

He said: "I do not believe in the presence of a cartel in Chile, but there are criminal organizations that are being punished. No one can deny that drug has been shipped and has been consumed, but the levels at which these have happened are controllable by the police and the judicial branch."

The under secretary confirmed that other people were arrested during the judicial operations that have been carried out, but declined to say whether there are more foreigners involved in the case.

Chile: UDI, RN Achieve Political Pact for Elections

PY2307150196 Santiago EL MERCURIO in Spanish 18 Jul 96 p C1

[FBIS Translated Excerpt] Valparaiso — The national and legislative leaders of the National Renewal [RN] and Independent Democratic Union [UDI] — the main center-right political parties — yesterday signed a political-electoral agreement committing their joint participation in the upcoming municipal and legislative elections on the basis of equal distribution of candidates and the express exclusion of the Progressive Center Union [UCCP].

During a ceremony at the national Congress building, top-ranking RN and UDI leaders also agreed that an eventual amendment to the RN- UDI pact should be accepted through a common agreement.

The top-ranking RN and UDI leaders said that the main factor for reestablishing the center right political alliance was their condemnation of the political practices of UCCP Leader Francisco Javier Errazuriz and the UCCP. They added that public activities should be based on a vocation to serve others and not on the unscrupulous search for electoral quotas.

RN and UDI also stated that this agreement marks the end of a long stage of disputes between the two largest rightist opposition parties. Moreover, they stated that the agreement symbolizes the start of a new rapprochement between the two parties that will allow them to strengthen the Union For Chile pact and to help it become an effective alternative of government to the CPPD [Coalition of Parties for Democracy].

It was added that this agreement is evidence of the gradual political isolation of the UCCP which in 1989 and 1992 was forced to run alone in the legislative and municipal elections in view of the impossibility of achieving an electoral pact with the right.

According to RN and UDI sources, in view of this the UCCP will soon be submerged in an internal crisis which may result in the reorganization of its leadership cadres, the withdrawal of some of its leaders and the stampede of its municipal candidates.

The UDI-RN political electoral agreement encompasses four points:

The first states that the two parties have decided to jointly participate in the upcoming municipal elections by achieving a pact by the name Union For Chile. This pact is based on two sub-pacts that include only the two parties and it is to be structured as follows: RN and independent candidates, and UDI and independent candidates. It is established that each one of these sub-pacts will be entitled to propose independently 50 percent of the candidates to be elected in each community.

The second point establishes that RN and UDI will run together in the 1997 congressional elections under the same aforementioned principles, that is, each party will be entitled to independently appoint one candidate for each district or senatorial jurisdiction.

It is stated that the two parties may independently assign some of its legislative quotas to members of other political parties — either the UCCP or the Party of the South — but under no circumstances can this lead to requests for closed districts, omissions, vetoes or other formulas that restrict the right of each party to have candidates in each district or senatorial jurisdiction.

The third point specifically establishes that any future amendment to the binominal system, change in the current geographical limits of the districts and jurisdictions, or an increase in their number must necessarily be approved by common agreement of the two political parties.

In the fourth and final point, RN and UDI make the commitment to fully abide by the clauses and the spirit of the political electoral agreement "convinced that this is the best means to offer the country an effective and united action of center-right parties and thus become a true alternative of government."

The agreement is signed by RN President Andres Allamand and UDI President Jovino Novoa; the chiefs of the senators committees Sebastian Pinera (RN) and Eugenio Cantuarias (UDI); the chiefs of the deputies committee Francisco Bayo (RN), and Victor Perez (UDI); RN leaders Alberto Espina and Rodrigo Ubilla; and UDI leaders Hernan Larrain and Andres Chadwick. [passage omitted]

Moreover, UCCP Leader Francisco Javier Errazuriz expressed surprise for the exclusion of his party from the opposition pact. He added that this situation will mean that the right will again repeat the same mistake of 1989 and 1992 which resulted in the loss of congressional seats and municipalities.

Errazuriz reasserted that the UCCP has always strived to achieve a political pact among the political center and the right that would appeal to Chilean independents.

He added that the UCCP is ready to present a list of candidates for the municipal elections despite the opposition alliance. He stressed that this is what happened in 1992 when it elected 12 mayors and 80 councilmen.

In addition UCCP President Alejandro Garcia-Huidobro last night expressed his disappointment over the fact that the UDI unilaterally severed an agreement with the UCCP to achieve an independent sub- pact with the support of both parties. [passage omitted]

Colombia

Colombia: Ex-DEA Head's Confession Termed 'Marvelous'

PA2307190796 Santa Fe de Bogota EL TIEMPO in Spanish 23 Jul 96

[Received via Internet]

[FBIS Translated Text] The government described as a "marvelous occurrence" the confession of Joe Toft, former DEA director in Colombia, that he was responsible for leaking the narcocassettes that led to the scandal of narcopolitics in Colombia.

This expression was used by Narino Palace spokesman Carlos Castillo, who explained it in the following terms: "What this (the confession) entails is that we are experiencing the consequences of a struggle between U.S. agencies, which we had noticed a while ago, and which the country and the world are aware of."

Asked about the specific episode he was referring to, Castillo only said that in his confession, Toft also said that his country's agencies engaged in an internal fight over jurisdictions and funds.

The former DEA director in Colombia told his story to the U.S. newspaper THE WASHINGTON POST, which published a 12-page article thoroughly explaining how and when Toft decided to leak the conversations between the Cali cartel kingpins and their intermediaries in the 1994 political campaign.

The government spokesman also pointed out that the Colombian Government prefers to believe the DEA director when he states that the decision to leak the narcocassettes was his idea.

Castillo made this remark answering a question according to which the greatly touted expression "it does sound familiar," pronounced by Interior Minister Horacio Serpa, has gained new strength now.

The spokesman told a reporter: "At this moment, I could not tell you about any other row. Although there could be multiple interpretations of this event, we choose to trust people."

He indicated that both Andres Pastrana and Luis Alberto Moreno, the former director of his campaign, described by Toft as the "go-betweens" [correo de brujas] with the U.S. Embassy, will have the opportunity to correct or clarify this report.

Colombia: U.S. Secretary Cited on Airline Talks

PA2307155996 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 23 Jul 96

[Telephone interview with Civil Aeronautics Director Abel Jimenez by news director Dario Arizmendi; from the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] Where do Colombia and the United States stand on civil aviation talks? Colombian and U.S. delegations meeting in Washington apparently had not reached any agreement by the end of last week. Colombian Civil Aeronautics Director Abel Jimenez can tell us more. Good morning.

[Jimenez] Good morning. We met with U.S. Transportation Department officials at the U.S. State Department last week. We spoke about the 1956 treaty, which still regulates trade and air relations between the two countries. We were invited by... [changes thought] he called us [word indistinct] Friday... [changes thought] U.S. Transportation Secretary Federico Pena to tell us that he wanted to discuss the U.S.-Colombian air conflict with us. He asked us to please give him another week [words indistinct] and that he would personally research the U.S. position and try to find a solution to the latest problem: a lopsided Colombian/U.S. airline passenger and cargo market.

[Arizmendi] Did you accept his proposal?

[Jimenez] Yes. We had to accept his proposal and delay the talks even further. Pena told us that he is very interested in tackling this problem himself but that he is currently very busy with investigations into the TWA crash, a very serious and delicate affair the investigation of which is his immediate responsibility.

[Arizmendi] Consequently, the talks that Transportation Secretary Federico Pena will lead on behalf of the United States will resume next week. Isn't that right?

[Jimenez] That is right. We expect to hear from the transportation secretary on the U.S. position by the end of this week.

[Arizmendi] This sounds like good news for Colombia, as well as the fact that U.S. Transportation Secretary Federico Pena himself will head the U.S. delegation in negotiations with Colombian representatives to resolve the air conflict between Colombia and the United States.

Colombia: Airlines Ask Officials To 'Defend' Interests

PA2307171496 Santa Fe de Bogota EL TIEMPO in Spanish 22 Jul 96

[Received via Internet]

[FBIS Translated Text] The representatives of the largest cargo and passenger airlines that fly to the United States have asked the Civil Aeronautics Administrative Directorate [DAAC] to "defend" Colombia's interests in the air conflict with U.S. air authorities and companies "with more vehemence and firmness."

This petition was made public following the latest postponement of the last meeting in Washington, which seeks to resolve the confrontation triggered by the DAAC's refusal to allow American Airlines to fly the New York-Santa Fe de Bogota route, as well as to allow two cargo airlines, Federal Express and Fine Air, to have access to the Colombian market because, it believes that it would violate the fairness stipulated in the bilateral air agreement the two countries signed in 1956.

According to what several members of the Colombian delegation explained to EL TIEMPO, the DAAC should have denounced this bilateral agreement, because neither one of the two parties seems to give in in their respective positions.

DAAC Director Abel Jimenez, Air Transportation Chief Hector Hernan Rios; Juan Emilio Posada, Aces [Central Airlines of Colombia] president; Avianca presidential adviser Ernesto Vasquez; Carlos Child, ATC [expansion unknown] airlines president; Tampa Airlines Manager Jorge Coulson; Manuel Leal Angarita, Colombian Association of Air Transportation Carriers (ATAC) president; and ATAC adviser Guillermo Ortega represented Colombia at the meeting.

One of the spokesmen of a Colombian airline explained that the DAAC director failed to denounce the agreement for two reasons. First, the U.S. Transportation Department's asked Colombia not to make this decision, of which the Colombian official said: "Heeding its request was plain courtesy." The second reason had to do with the intervention of Nicolas Lloreda, director of the Colombian Trade Office in Washington. He convinced the DAAC director not to denounce this agreement.

According to the sources, Lloreda explained to Jimenez that he had been occupying this post in Washington since the government of Cesar Gaviria, and that he did not think it was coherent not to support the free trade principles, and the full opening this administration promoted regarding commercial and air matters.

"We do not understand why the DAAC has lost focus of its pledge to firmly defend the interests of Colombian companies," a source who asked not to be identified pointed out.

Questioned on this issue, ATAC President Leal said that the government has a position it explained in Washington, and that even though it has not given in, "we believe that when seeking logic conclusions to end the current friction, and to redesign the relations with the United States, it has been weak."

He added that "the government has the challenge of defending Colombia's interests and airlines in the same manner the United States has done, which is admirable."

In his opinion, although the ghost of the sanctions, which was the reason for the latest meeting, remains on hold, it continues to seriously loom over Colombian airlines, because American Airlines will insist on its claims and will demand a response from the U.S. Government.

Leal stated that, in the last meeting, Colombia even proposed to denounce the agreement, but it decided not to make it official.

He agreed with some of the delegates that the DAAC's attitude cannot be understood, if we take into account that the Foreign Relations Ministry, at the request of the presidency of the Republic, authorized the delegates to denounce the bilateral treaty in case there were no agreements.

The talks between the two countries will resume on 26 July at a place that has yet to be determined.

They Are Seeking a Recertification

Even though the representatives of the Colombian airlines returned to the country on 20 and 21 July, the DAAC delegation stayed in Washington to attempt to reach an agreement with the FAA on the issue regarding the downgrading of the national air navigation category.

It was leaked that the DAAC's idea is to try to have the FAA recertify Avianca, Aces, Tampa, and ATC, arguing that they already met security requirements, and complied with the maintenance standards demanded by the International Civil Aviation Organization (ICAO).

In case it succeeds, the restrictions Colombian airlines have faced since October 1995, when the FAA downgraded the entire national air navigation system from Category I to Category II, will be lifted.

Colombia: Campaign Abroad Aims To Improve Ties With U.S.

PA2307152896 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 23 Jul 96

[From the "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] The government is launching an active diplomatic campaign in the Americas and Europe to improve relations with the United States and to open additional and better opportunities for Colombia in the world. The international campaign will open today with recently appointed Foreign Minister Maria Emma Mejia's trip to the United States and will continue with trips by President Ernesto Samper next week. President Samper plans to visit France, Ecuador, Honduras, El Salvador, the Dominican Republic, Costa Rica, Venezuela, Bolivia, and Chile before attending the UN General Assembly in September.

Colombia: Foreign Minister on Extradition, Visas

PA2307160196 Santa Fe de Bogota EL TIEMPO in Spanish 21 Jul 96

[Interview with the Foreign Relations Minister Maria Emma Mejia Velez de Caballero by unidentified EL TIEMPO reporter; place and date not given; first paragraph is EL TIEMPO introduction — received via Internet]

[FBIS Translated Text] Foreign Relations Minister Maria Emma Mejia Velez de Caballero has said that actions such as the cancellation of President Ernesto Samper's U.S. visa makes Colombia and the U.S. struggle against drug trafficking lose its target: the drug trafficking capos.

[EL TIEMPO] Considering the unusual tension at this moment, what are the fundamental changes you are going to suggest to the agenda with the United States?

[Mejia Velez de Caballero] I would not say that it is important to remove the narcotics issue from the agenda, because we know it is a priority for both the United States and Colombia. However, a very extensive, shared agenda, should be dealt with, which, unfortunately, is perceived as defunct, or at least as postponed.

The agenda includes issues such as trade and economic integration, environment, human rights, and the energy sector. Colombia has become a key player in this sector because of its oil reserves.

[EL TIEMPO] How is the administration going to handle the extradition issue? Is it included in the agenda? What is the academic approach to the issue?

[Mejia Velez de Caballero] The issue was revived by Attorney General Janet Reno's request that Colombia extradite four persons accused of being Cali Cartel capos.

At this moment, extradition is impossible and unconstitutional. However, the administration, through the president and his ministers, has said that a discussion on this forbidden issue must be initiated in Colombia.

The issue is taboo not because we did not want to commit ourselves to a head on battle against drug trafficking, but because it cost Colombia dearly. That is why extradition is forbidden by the Constitution. Colombia's experience during that period as a result of the pressure exerted on it because of the extradition issue was so shocking that, evidently, fear and concern still exist.

It was crucial to hear the ideas and proposals of the European prosecutors that visited our county recently. Extradition is an important weapon among the countries of the world to combat an international scourge, because we have to understand that this is not just a national crime.

As long as it is not a bilateral issue, a debate could be initiated to overcome these concerns in Colombia, and to open a period of academic and legal deliberation. This discussion could lead to a second stage which would be to present a special project to Congress.

To introduce this issue in Congress now would create more confusion, because we have to struggle during this legislative session to approve a number of significant projects.

[EL TIEMPO] Has the visa episode weakened President Samper to the extent that he now has to include an issue in his administration's agenda which was previously not included?

[Mejia Velez de Caballero] It was not included in the agenda because it is unconstitutional. I do not believe the president could have foreseen it at the beginning of his administration, or included an issue that is unconstitutional in the agenda.

The U.S. Attorney General's request for extradition and the visit of the European prosecutors brought new life to the issue.

Here, there are no winners or losers. This is not exclusively a Colombian issue, it is an issue which involves all the nations of the world. Seeking solutions for this issue is what is important, not who made us reconsider the issue.

[EL TIEMPO] Are you aware of the risks you will have in managing your portfolio because President Ernesto Samper is questioned by the United States?

[Mejia Velez de Caballero] Beyond the visa incident, Colombia has experienced a very critical period of scrutiny. I would say that Colombia has been blamed unfairly.

To deny Colombia's struggle, as the U.S. State Department communique denied its struggle, insinuating that not only did Colombia not do anything, but that it had prevented anything from being done, and had been negligent, is an unfair pronouncement.

The visa incident caused an international reaction: on one hand, respect for the United States, which can deny any citizens from entering its country; on the other hand, a lack of solidarity with a policy of intervention in the hemisphere, which is not in keeping with the spirit Clinton presented in the Summit of the Americas.

We had made headway in hemispheric relations (North-South) and we cannot afford to lose this emphasis on integration and mutual respect between nations. This is what the Rio Group and the Latin American nations expressed. I hope that we will reestablish relations based on respect and equality in the hemisphere to fight against the enemy we sometimes overlook: drug trafficking.

[EL TIEMPO] Will the government resort to international forums to politically and juridically question the decision adopted by Washington regarding President Samper's visa?

[Mejia Velez de Caballero] No, we will not. Even though it is an unfair and interventionist decision, we will respect a state's decision to claim that right, as the United States has done. That is part of its legislation and it can do that.

As long as Colombia manages to show results and a true commitment, for example, with the presentation of bills; and, as long as Congress strives to approve those bills, multilateral organizations will have the best evidence that Colombia is struggling against drugs; that the visa policy is not fair for a country that has waged a strong battle; and that the war has cost the country many heroes and anonymous citizens.

I will make a comparison: If we humanize the conflict and if we manage to make the United States and Colombia understand what the battle involves, and who we are fighting against, we will face more effectively a powerful enemy that is killing the young people who risk their lives in the eradication of illegal crops in Guaviare, and killing the boys and girls who consume drugs in the United States. This is not a fight between governments.

[EL TIEMPO] Nevertheless, the United States continues with its policy of canceling visas. Two congressmen's visas were canceled.

[Mejia Velez de Caballero] I have no confirmation about the visa suspensions. I repeat: I respect a sovereign state's decision to allow or not allow the entrance of any citizen into its country, but I cannot agree with this.

I will travel to Washington next week, and I hope we will be able to review a joint agenda with the United States. I will travel to Washington prior to a visit by two other ministers, to define the guidelines of a political agenda. We are not hoping for a truce, but rather to restore mutual trust based on results.

The visa policy may not be the best to fight drug trafficking, protect a democratic stability in Colombia, or achieve rapprochement in a battle that will be difficult this semester, because the Colombian Government intends to sponsor bills that are comparable to the norms that prevail at international level.

[EL TIEMPO] Is the Colombian Government afraid that the United States will deny its approval regarding the ambassador appointed to Washington?

[Mejia Velez de Caballero] I trust it will not happen. Diplomacy works despite difficulties. Solutions to wars and confrontations are achieved precisely through active diplomacy.

[EL TIEMPO] Does the endorsement that the president yesterday gave to Juan Manuel Santos' [Liberal, economist, former foreign trade minister, former presidential designate] upcoming visit mean the government's weakness has reached the point where it needs mediators outside the government to restore relations?

[Mejia Velez de Caballero] That was Juan Manuel Santos' initiative, rather than the Colombian Government's initiative. Santos kindly went to tell the president that he will meet with the inter-American forum and act as mediator. I understand this action is similar to the one carried out by businessmen following the decertification, and it is also similar to what the government intends to do in the sense of increasing its interlocutors with the U.S. Government.

[EL TIEMPO] What immediate action will the Colombian Government carry out to settle its border incidents with Venezuela?

[Mejia Velez de Caballero] I have scheduled a trip to Caracas on Monday 29 July to meet with Foreign Minister Miguel Angel Burelli Rivas. We will have the opportunity to talk about this and other issues there. Likewise, we must not rule out the possibility of holding a meeting between the two countries' defense ministers at the border zone.

Colombia: Narino Mayor Slain; Military Mayor Appointed

PA2307213796 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 23 Jul 96

[Report by anchor Yolanda Ruiz; from the "National Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] Luis Alfonso Giraldo Osorio, mayor of Narino Municipality in southeastern Antioquia Department, was murdered this morning. Giraldo was inspecting some work in the community of San Andres when he was riddled by bullets by a group of armed men. Apparently they were guerrilla fighters.

Seven mayors have been assassinated in Antioquia Department since January 1995. The governor of Antioquia Department appointed Captain Carlos Alberto Leon as the military mayor of the town a few minutes ago.

Colombia: Peasants in Miraflores Demand Solutions

PA2307220696 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 23 Jul 96

[Report by Ana Fernanda Valderrama and Alberto Medina from Miraflores, Guaviare Department; passages within quotation marks are recorded; from the "National Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] [Valderrama] The main problem in Miraflores right now is the obstruction of the movements of people who want to enter or leave and the movement of food, medical equipment, and doctors. At this time, there are several people in the hospital who are dying due to lack of medical attention, and because they cannot be transferred to another place.

The common denominator, however, is that amid the situation there are people who have been struggling to survive here for many years. At the beginning, they only had their houses, and they lived by fishing; afterward, as we all know, from coca. They have lived here for many years. This little girl is one of them. Why are you trying to leave Miraflores now?

[Unidentified girl] Because I must go to school. I have lost too many days of classes.

[Valderrama] You haven't been able to leave?

[Girl] No, madam.

[Valderrama] Why?

[Girl] Because of the strike.

[Valderrama] This is an example of the situation faced by the Miraflores residents who have remained here, who want to stay here, but at the same time have their own needs. Here is a report:

[Medina] Rosa inherited 2 hectares of land from her father, one of the first settlers of Calamar. Along with rubber and plantain, she has planted half an hectare of coca.

[Rosa] "I know it's illegal, but there is no other choice, so what else can I do?"

[Medina] More than half of the peasants who live in Guaviare, who own no more than 3 hectares of land, are facing a situation similar to Rosa's.

[Rosa] "Coca has made people stop raising cattle and instead they are growing illegal crops."

[Medina] Rosa said that she had to grow coca out of need. It was the only product that could be sold in the Guaviare jungles.

[Resident Vicente Ferrer] "Marijuana? No. Now it is coca, and we are having problems."

[Medina] Don Vicente is a vivid example of many people who arrived in Guaviare fleeing from political violence. Others arrived in the 1980's, attracted by a second exodus, many of them by the coca bonanza.

[Valderrama] We have just seen a report on the current situation here. We know that the national government will try to meet with a delegation that will travel to Santa Fe de Bogota tomorrow. The future, however, is still uncertain. There are basically three main forces in this region: drug traffickers, guerrillas, and the civilian population in the middle, who are the most affected by the situation. What will happen to these people? Will they feel compelled to leave due to the many problems they are facing? The question is: What will happen?

[Medina] After a demonstration by peasants in El Retorno was dispersed, Guaviare seems to have reached a deadend. Peasants do not want the area to be declared a special public order zone and are demanding the implementantion of effective crop replacement programs. On the other hand, the government has said that those points are not negotiable. There will be no economic aid either, as Plante [National Alternative Development Plan] insists that Miraflores is an ecological reserve.

[Unidentified official] "The Plante program has legal restrictions on implementing actions in Miraflores because this is a forest reserve. Therefore, no infrastructure work or credits can be financed."

[Medina] Meanwhile, the FARC's 1st Front has said it will not leave the area until the national peace process has opened between the central government and the secretariat of that movement.

The church supports the peasants.

[Bishop Correa] "We must find other solutions."

[Valderrama] "Such as?"

[Correa] "First, we must try to solve the current conflict. People need transportation; they should receive some kind of indemnification. We must find a dignified solution. Second, we must implement the Plante program."

[Valderrama] According to analysts, anything could happen in Guaviare today.

[Unidentified analyst] The problem is that we must consider the possibility of establishing a high-level dialogue. Unless peasants can hold a dialogue and reach an agreement with the government, they will be compelled to seek the armed forces that exist here, which would practically polarize the conflict and create a new war scenario in the country.

[Medina] The truth is that a solution is necessary today, to prevent El Guaviare from becoming the Uraba of our national territory.

Colombia: Reporters Update Situation in Guaviare

PA2307231996 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 23 Jul 96

[From the "National Newscast"; monitored from live relay by Lima Sistema Unido de Retransmision Television]

[FBIS Translated Text] [Station announcer Yolanda Ruiz] We have direct communication with Guaviare Department. The roving satellite of the "National Newscast" is there following the tension that exists there owing to the peasants' protest. Ana Fernanda, good afternoon, what is happening there in Miraflores now?

[Reporter Ana Fernanda Valderrama] The roving satellite of the "National Newscast" is once again with the news. We are in Miraflores, Guaviare Department. Right now, the situation can be described as a tense calm. As you can see, there are approximately 20,000 persons still on strike here at the Miraflores landing strip. A report by the authorities, at least in El Retorno Municipality, where disturbances took place over the weekend, states that the situation is calm.

The organizers of the strike, however, affirm that their mobilization is being reorganized to continue in a few days.

Let us see a few unique things here in Miraflores. For instance, the people here have dug ditches, as if this were an international war, to protect themselves.

[Begin recording] [Reporter Alberto Medina] Underneath this Miraflores, Guaviare, there is another Miraflores that is fleeing the war. In Miraflores, there is no house without a hiding place, because not a day goes by without rumors of war.

[First unidentified resident] A house without a trench is no good. I built this trench for the purpose of protecting the people living in this house.

[Medina] Have you used it?

[Resident] On several occasions. On several occasions. [repeats herself]

[Medina] When?

[Resident] Mostly when the airplane lands, but almost always when there is a shoot-out, one runs into the trench or hole, as we call it.

[Medina] Having a hiding place became a necessity in August 1995, when the army and guerrillas clashed in the middle of town, leaving seven civilians dead and many wounded. [end recording]

[Ruiz] The tension in the region is always there, but what made the conflict explode this time? We posed that question to Ana Fernanda Valderrama there in Miraflores. Ana, what happened, what was the detonator of this conflict now?

[Valderrama] Can I interview the major please?

[Ruiz] Ana? We are having trouble with our communications with Ana Fernanda Valderrama.

The fact is that it is clear that at the heart of this conflict lies the measures involving special public order zones that were adopted in Guaviare. The people finally started to move because the rumor was spread that peasants, not just illicit crops, were going to be uprooted.

[Begin recording] [Medina] The problem now in Guaviare is that people feel that they are going to be uprooted from their towns.

Since the Plante [National Alternative Development Plan] has not come here, people feel they, not the coca plants, are what is going to be uprooted from the zone.

[Resident Vicente Ferrer] What the government wants is not to eradicate coca but to remove the people from here.

[Medina] The officers in the zone do not deny this view.

[Miraflores Commander Colonel Carlos Julio Vera] In its latest statements, the government has constantly told them this is an ecological reserve, and they must seek other ways out of here, to go back to their places of origin or seek jobs in the regions from which they came originally.

[Medina] The truth is that Miraflores and Calamar turned into a headache for the government first because of the guerrillas and then in the 1980's because of the coca. Drug traffickers who came from the center of the country took advantage of the isolation of this region to make money with coca leaves.

[Second unidentified resident] Yes, we are coca farmers because that is the only thing that they come to buy from us here, coca.

[Medina] The guerrilla and coca merger forced the government to turn the region into a special public order zone. For that reason, everybody, except the army, says that civilian institutions were toppled.

[Medina] Who is in command here?

[Miraflores Parish Priest Father Manuel Mancera] Hard to believe it, but we have to say the military forces are in command here.

[Miraflores Mayor Jose Aicardo Perez] The military forces, of course.

[Medina] Although civilians lost control in the zone, some people in Guaviare who arrived 30 or 40 years ago will not be allowed to leave the town under any circumstances.

[Resident Omaira Morales] When we arrived here, we were adventurers. We learned to love the area, and just as we learned to love it we will defend it. We do not know how, but we are not leaving. Where would we go? [end recording]

[Ruiz] The "National Newscast" is covering the situation in Miraflores. We are going to Miraflores. Ana Fernanda, go ahead.

[Valderrama] Right now, we are with Miraflores Mayor Jose Aicardo Perez. What is your information about the possibility the central government is going to resolve this problem?

[Perez] In the morning, we talked to (Tomas Lozano), representative of the Chamber, who said that it may be possible to receive the delegates from Miraflores, Guaviare, Calamar, El Retorno, and San Jose tomorrow in the afternoon.

[Valderrama] This means Interior Minister Horacio Serpa will be receiving the delegates?

[Perez] Yes, to analyze the proposals they have for him.

[Valderrama] As you can see, the Miraflores landing strip is occupied by all these people. Moving about is very difficult, but we are going to try to interview some of the people here with us.

Sir, what do you think is the most important thing to resolve this strike as soon as possible?

[Third unidentified resident] I think the best way to solve the problem is to have air and land routes.

[Valderrama] Air and land routes. We will ask you to help us, please. Later on we will return from Guaviare, when we achieve greater control over order here in Miraflores.

Colombia: Peace Official Says Samper Advocates Repression

PA2407031396 Santa Fe de Bogota EL TIEMPO in Spanish 23 Jul 96

[Received via Internet]

[FBIS Translated Text] "President Samper has taken the road of repression, forgetting the importance of the carrot."

This statement was made by Alejo Vargas Velasquez, external adviser to the Government's Peace Office, who said the head of state is flirting with war advocates because he believes peace advocates have no political importance nowadays.

He refers to the reforms proposed by the president to strengthen what he calls the state's repressive capability; adding that these initiatives give the military forces more freedom, thus returning to the permanent state of siege "that is so sadly remembered."

He believes that the measures aimed at creating conditions for a rapprochement and the negotiations process with the guerrilla groups "are conspicuously absent."

The system of ruling by combining incentives with a strong hand is known as the policy of the carrot and the stick.

Vargas wonders if Samper's will to achieve peace is exhausted.

Nevertheless, he says the absence of new peace proposals is due to the erroneous perception that you must flirt with the military and the right to rule.

Moreover, former M-19 [19 April Movement] Congressman Gustavo Petro, who participated in Samper's administration during its first phase, indicated that the president is sponsoring the "most serious process of counterreforms to the 1991 Constitution" to the detriment of peace.

Petro believes this "recanting" represents the elimination of a pluralistic, participative, and diverse nation "that could guarantee the best negotiation table to peacefully overcome our conflicts."

Colombia: EL TIEMPO Urges De la Calle Not To Resign

96SM0453A Santa Fe de Bogota EL TIEMPO in Spanish 17 Jul 96

[Editorial: "Constitutionality" — received via Internet]

[FBIS Translated Text] During crises, prescriptions usually appear, and some solutions emerge from minds which, at times, instead of creating calm, could arouse understandable worries. At the present time, in view of the suggestion that the president should give up his power to reassure some of the public, theories are already being formulated on how the position of Colombian head of state should be refilled. And proposals are being made for arbitration, consulting groups, and reforms, which would contribute very little to meeting an extremely urgent need for adhering to the constitutional route.

When potential solutions were proposed in these columns, we underscored the urgent necessity for those in favor of or against the president not to abandon the path of the Constitution under any circumstances. It is the nation's strength. Therefore, we call upon Doctor Humberto de la Calle not to resign, and to continue displaying his honorable title, to which he was elected by a large portion of Colombian citizens.

The mania to destroy the Constitution, either by evading or reforming it, would bring few good results. Only in the event of a vital emergency could reforms be sought, to shake up the environment. But it is not the right time for that. One could just imagine the debates and divisions among members of Congress if the occasion were offered to search for a presidential successor. That is why the option was taken for the legal institution of the vice presidency, now held by Humberto de la Calle who, when he accepted the post, did so considering the possibility of serving as head of state.

We have often called for a stop to the vituperation and aggressive language. On the contrary, a measure of personal sacrifice should be applied, to direct the present crisis along the path of reconciliation, calmness, and cordiality among Colombians. Any difficult time in the nation's history can be surmounted if there are fervent desires for peacefulness, understanding, or tolerance. The opposite could lead to conditions which, sooner or later, will acquire a contrary nature, a tragic one if you will. Any fellow citizen who intervenes in the critical situation being experienced by Colombia should consider these consequences.

Colombia: Justice Minister Interviewed on Reforms

PA2207225496 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1615 GMT 21 Jul 96

[Interview with Justice Minister Carlos Medellin by Director Juan Dario Lara and reporters Carlos Ruiz and Samuel Salazar on "The Personality of the Week" program in Santa Fe de Bogota — live]

[FBIS Translated Text] [Dario] Good morning. The government submitted two fundamental bills to Congress' consideration during the legislative period that began yesterday. These two bills, which are quite significant, intend to reform aspects dealing with the administration of justice. The first bill deals with the confiscation of assets, while the second one deals with the increase of sentences. [Words indistinct] give peace of mind to Colombians in light of the country's current situation. We have invited Justice Minister Carlos Medellin to Caracol's program "The Personality of the Week" to explain the scope of these two bills, and to review the question of what will actually happen to the administration of justice in Colombia. Good morning.

[Medellin] Good morning, Juan Dario.

[Dario] Before we begin an actual discussion of the bills, I would like you to give us your view on the Constitutional Court's ruling on Thursday about illegal enrichment.

[Medellin] The Justice Ministry has [word indistinct] a process asking the Constitutional Court to declare what it declared. In other words, that the [words indistinct] illegal enrichment will be considered a distinct crime [delito autonomo] for people to understand that in general, drug traffickers do their job quite well, and are very careful about covering any evidence. This has happened all over the world and the criminal organizations in Colombia are not the exception. It is quite difficult to find evidence against persons who are linked to criminal organizations. Hence, if illegal enrichment is considered a distinct crime, that would free us from having to prove that there is drug trafficking first in order to justify the crime of illegal enrichment. This mechanism was included in the 1988 Vienna Convention and the Convention against Corruption signed in Caracas a few months ago. This recourse is thus honored at the international level, and we are pleased that it was preserved, and that the Constitutional Court declared it constitutional.

[Unidentified reporter] This mechanism not only provides a way to prosecute this crime linked to drug trafficking, but it also to prosecute other types of activities, which are also harming the community at the international level. For instance, does this mechanism provides a way to prosecute the crime of illegal enrichment when it results from the theft of vehicles or kidnapping?

[Medellin] This is a good question, because it deals with the new bill we will submit on the confiscation of assets. Currently, illegal enrichment is limited to drug trafficking. There is also illegal enrichment in the case of government employees and actions dealing with [word indistinct], corruption and so on. The illegal enrichment linked to drug trafficking focuses rather on crimes perpetrated by private individuals. Currently, we are studying the possibility to prosecute and punish the crime of illegal enrichment, or of increasing one's legally acquired assets in connection with other crimes such as kidnapping, extortion or crimes linked to guerrilla or subversive activities and terrorism in general.

[Ruiz] However, considering the [word indistinct] of not being able to justify the acquisition of these assets or the source of the money with which these assets were acquired, some people believe that the burden of proof has been switched, that is, the state now requires citizens to fully explain where and how they earned the money in question. In addition, the detractors of this Constitutional Court ruling, which some groups describe as very positive [words indistinct] argue that this ruling eliminates the presumption of innocence, which is one of the law's basic principles: due process. What can you tell those citizens who believe that the Constitutional Court ruling undermines the guarantees provided by the due process?

[Medellin] I do not believe that the burden of proof has been switched. In other words, I do not believe that in these cases, the crime is not... [pauses] those persons who are innocent, those who have nothing to hide, those who have not earned their wealth illegally, and those who have not received any favors from drug traffickers have nothing to fear. In other words, 99 percent of all Colombians need not worry that if the state, the judge, the prosecutor or any other government official asks them for information on their patrimony, 99 percent of all Colombians who are not involved in this type of activity need not worry, because nothing will happen to them. If the authority, the state or the prosecutor asks you, Carlos, or me how we bought a vehicle, we would answer that we bought it with our salary, and we would present the invoice, and the records of the money we were paid for our work. We would have no problem. However, if someone purchases five or six Mercedes Benz [words indistinct].

Actually, the burden of proof has not been switched, but the state, the Prosecutor General's Office, the control organizations and the judges will certainly tell a person that they have evidence that the person has bought these assets and that they are aware that such assets do not match the person's earning capacity. The state will be the one to provide the evidence. The person who is accused or who is facing an investigation must prove that his patrimony [words indistinct] of this process. The laws provide this person [word indistinct] and the possibility to defend himself, and that the due process will be honored. If the state said you earned your wealth illegally and you are going to jail and that is it, this would definitely be an arbitrary (?measure). The state says you have earned your fortune illegally and here is the evidence, now you prove the opposite. Thus, this is indeed a stringent procedure. It is not a normal procedure, but rather a procedure in which the state has certain special mechanisms. However, the state needs these mechanisms to deal with corruption, the resources of the drug traffickers and the cartels and [words indistinct], which are responsible for Colombia's current political and economic crisis.

[Reporter] These mechanisms deal with private individuals, but what control mechanisms will the state use to prosecute government officials eventually?

[Medellin] Currently, the crime of illegal enrichment includes mechanisms to deal with government officials such as when a government official has earned his wealth while in public office. In other words, your average corrupt official who receives money to adopt a certain decision while in office is covered in the description of the crime of illegal enrichment. This type of illegal enrichment existed before that of illegal enrichment through drug trafficking activities. Thus, the mechanism exists and it has been in effect for several years, but it has not been used as widely used as other mechanisms dealing with illegal enrichment.

[Reporter] The law refers to an income statement [words indistinct] some sort of control for the official who asks the government [word indistinct].

[Medellin] In keeping with Law 190, which was prepared by the Samper administration and was dubbed the Anticorruption Statute, all government officials are required to present a detailed affidavit of their assets when they take office and another one when they leave office. I have seen the statements of many prominent government officials in this country, because the Justice Ministry had to request them along with the Prosecutor.

[Dario] [words indistinct]

[Medellin] The Attorney General's Office and the Prosecutor General's Office are conducting several investigations. These organizations are investigating, for instance, inconsistencies in these affidavits. The average government official often argues that he forgot to include something. The most complicated aspect here, Juan Dario, is not that they do not declare their assets, but that they declare more than what they actually have.

[Dario] The best example of illegal enrichment and of actions adopted by the authorities in this regard was the case of a retired general who was sentenced by the Supreme Court of Justice. This sentence was based on the guidelines of the previous Penal Code. What innovations does the Anticorruption Statute introduce compared to the previous legislation?

[Medellin] Compared to the terms of Law 190, the Anticorruption Statute makes abetting or concealing a crime [receptacion] an autonomous crime. This happens when a person uses, profits and purchases assets resulting from a criminal activity. This is a new crime covered by Law 190; we included it in the bills we submitted to Congress yesterday, and it establishes the laundering of assets as an autonomous crime. In other words, in addition to the public official's conduct and misdeed, which can already be punished, a government official can be punished for acquiring assets and for using those resources for his personal benefit to acquire, transform and use assets, which is legally known as abetting or concealing a crime. [Words indistinct] and I believe it is honored. The bill we submitted yesterday develops this idea for drug trafficking, to the extent that the crime of laundering assets can be punished autonomously, as is the case of the crime of illegal enrichment.

[Unidentified reporter] According to Magistrate Vladimiro Naranjo [Constitutional Court Magistrate], this ruling by the Constitutional Court, to which we are referring, is a way for our society to reaffirm the world that we are waging an all-out war against the drug traffickers. However, how can we prove to the international community that Colombia is truly devoting its efforts to an unrelenting crusade against the criminals when former members of the Medellin cartel are sentenced to only five years in jail and some of them are being released while others have already been released? In addition, it has been disclosed that other self-confessed criminals, who have taken part in actions that have caused much suffering and have seriously harmed the country might receive sentences of scarcely five or six years of prison.

[Medellin] This is an incontestable reality. As a justice minister, as a lawyer and as a Colombian, I am ashamed of this [words indistinct], especially after the tragic chapter of the Medellin Cartel in Colombia. It is unfortunate that the members of the Medellin Cartel, infamous throughout the world because of their terrorist actions, were only sentenced to five or six years. This is a reality. I also want to tell you that the next members of the Medellin Cartel will be released in the coming days and for the rest of the year, I will have to deal with the sad thought that more or less every 15 or 20 days, a leader of a group of henchmen or coca exports and so on will be released and forgiven and will have all their assets at hand.

[Dario] The prison exodus. By Christmas, they will all be praying together.

[Medellin] [Words indistinct]. This is truly a regrettable situation. This sole circumstance merits an analysis and I would even say an entire program for its discussion.

[Dario] How can this situation happen when you are even saying that you are ashamed of it?

[Medellin] Juan Dario, I do not want to put anyone on trial, since this would probably require more time and a more thorough and calm analysis. There were people here who called attention to this situation at the time the decision was being made. There were people who said that what was happening and the laws being drafted were not right. The reason for this was that they sentenced drug traffickers to a few months of prison because of the [word indistinct] of procedural benefits and the extremely reduced penalties for drug trafficking and related crimes. Juan Dario, it was even said [rephrases] several media even alerted the people. However, back then, there was not a generalized awareness of what was being done and unfortunately, it was not until five years later, now, when the country is finally realizing what happened.

What is left to do? We must reform the law. All we have left to do is reform the law, adjust this law so that it will fall in line with domestic and international laws. Many people have asked me whether the government is working on reforms because the United States is asking us to do so or because other countries are demanding it. Let me tell you that I have asked Colombians [words indistinct] I meet every day, and I have done it because it is my job, whether they agree that in Colombia, drug cartel kingpins should receive five years of prison and are not stripped of their assets. Thus far, no one has said yes. Everyone has told me that this cannot be and that it is absurd. These reforms we presented to Congress yesterday seek to increase these penalties and update them in keeping with national demands, with what Colombians want based on the cases I have told you about and with what the United Nations recommends through its convention on drugs signed in Vienna.

[Ruiz] However, didn't the situation experienced by the country five years ago, namely, the bombs and the abductions, justify the sacrifice and the cost we will be paying now?

[Medellin] I do not know. I am not very sure about that. I was a member of the Barco Administration and I have also borne the cross of terrorism myself and I had the impression that we were winning the war when the Barco Administration drew to its end. I think that the ensuing administrations surrendered many of the conquests we made. I think that we could have maintained a firm policy on this issue. If the country had decided to change its policy, if it had decided that we were going to sentence drug traffickers for five years and we were not going to seize their assets as long as they did not continue their terrorist actions, if this were the decision adopted by the country, we would have to accept that the country has sufficient authority and it is its prerogative to adopt it. However, I believe that these decisions were adopted behind the back of Colombians and that today, Colombians are just realizing what happened. Back then, Colombians were not aware that the Medellin Cartel kingpins were being sentenced to five years and that their assets were not going to be confiscated as long as there were no bombs. If Colombians would have been aware of this, if they would have accepted this, then this would have been a national decision. Nevertheless, I have the feeling that this was not a national decision.

[Ruiz] Should the Gaviria administration stand a political-historical trial for negotiating the surrender policy that has led us to these ridiculous penalties and the concessions, as you have described them, that our society gives drug traffickers?

[Medellin] I believe it is worthwhile to evaluate the current situation and we should all make a commitment to change it. At this moment, Carlos, I honestly believe that the government should not undertake a historical trial of the former government or assume the responsibilities involved in such a trial. I believe it is rather up to the media, you, the reporters to do so if you believe it is appropriate at this time. I believe that we must concentrate our energy, all our efforts and work, the [word indistinct] of the government, Congress and all Colombians in changing this situation, because we might spend too much time in a trial of accountability and not work on reforming the law.

[Unidentified reporter] The important aspect is that this situation will be changed as a result of the unfortunate results, with which we are all familiar, and not as a result of U.S. pressures.

[Medellin] I agree with this entirely. I also want to tell you that unquestionably, they criticized this situation, but a long time ago. Not only has the United States criticized this situation, but so has Italy, France and the United Nations. This is because no one can understand the fact that Colombia, a leading producer and exporter of narcotics worldwide, as we all know, has one of the softest legislations in the world. I have been in Vienna, New York, in international meetings of the UN to discuss many topics and it is very difficult for a Colombian justice minister or any Colombian to be able to explain that although we export tons of cocaine to the rest of the world, have drug cartels operating here, (?process) cocaine, poppy and now heroine, Colombia has one of the softest legislations in the world. It is almost inexplicable. I have found myself in binds when I have tried to acquaint others with what is happening in Colombia. Since we agree that this situation must change, [words indistinct] the government in 1995 and 1996 and the president, if we agree with the UN's position, the EU, and the United States, all the better, but in this order. We are doing it because, as you said, we are aware of our problem. If we agree with other countries, we welcome this agreement.

[Unidentified reporter] Concerning the confiscation of assets, to what mechanisms will the government resort? What has the government proposed to confiscate: 1.

Assets of drug traffickers, and 2. Assets of private individuals?

[Medellin] The Constitution of 1991 introduced a new recourse, which is the annulment of ownership rights. This recourse is not exactly a confiscation or a seizure. This recourse is only a form of confiscation that the Constitution has dubbed annulment of ownership rights and it applies to those cases that involve assets resulting from illegal activities. According to the Constitution, Article 34, specifically, the right of ownership shall be legally annulled whenever the assets have been acquired through illegal enrichment in the following cases: 1) when it is detrimental to the Treasury; and 2) when it is detrimental to social ethics. The motive and what enables the state to seize someone's assets is precisely an illegal or an immoral one established in keeping with the people's opinion. Thus far, this has not been developed in Colombia. What we have been working on and what we submitted to Congress yesterday is precisely a law that develops this recourse, which enables the state to file a suit to annul someone's right of ownership. We have somewhat developed the issue of social ethics and illegal enrichment. We have somewhat shored up the law and should not overwhelm the Constitution with this. The law establishes who files the suit, where, as well as the terms, the evidence and so on.

[Unidentified reporter] Who files the suit?

[Medellin] It has been established that the organizations tasked with doing this are the National Drug Directorate or the General Comptroller's Office, the Prosecutor General's Office, the Attorney General's Office, the Banking Superintendency, and the Superintendency of Stocks and Companies. In general, these organizations are the first ones to learn about someone being linked with drug trafficking or about an asset being acquired with resources obtained through illegal enrichment. Any of these organizations, separately, can file a suit to annul someone's right of ownership.

[Dario] Where is this suit filed? Who will have the final say that someone's right of ownership can be annulled if the asset was illegally acquired?

[Medellin] We have wondered about this over the past months, because this task requires very brave and extremely honest officials [words indistinct] security.

[Medellin] We are speaking of some super judges because we are talking about officials who are going to extinguish the drug traffickers' right to own property. As you know, this is what has been going on for the last 20 years. In some parts of the country they have large tracts of land. We thought about it a great deal and we have reached several conclusions. The first is that it should be a judicial branch official. The group that worked with us, people from other ministries, experts, and so on, in discussions with the president, talked about the possibility of having government-appointed judges. The Constitution itself, Article 116, states there may be government officials holding judicial branch positions in an exceptional manner. That sometimes happens at the social superintendency [superintendencia social] and so on. That is why we are going to attack the right to ownership. We are going to tell them you are no longer the owner of that. We believe that is a typical judicial decision that must be up to the judges to make. We believe this is an action that should be handled by the courts of administrative disputes. As you know, at the courts of administrative disputes we have the administrative courts and the Council of State. We have the problem that there are many administrative courts in the country. The defense minister told me once, you are capable of [word indistinct] all justices in the country. I told him, we cannot do that, the judicial branch cannot cope with that. We believe we can create a chamber or a special section at the court of administrative disputes in Cundinamarca Department with magistrates specialized in the topic to whom we can provide with all the security measures, with all the excellent professional guarantees, and with a second seat at the Council of State.

[Reporter] It is practically a special jurisdiction.

[Medellin] It is part of the jurisdiction of the courts of administrative disputes, specialized on that. We believe it is good for them to be specialized on those things because we will be dealing with exceptional things. We cannot believe that we are going to form an entire jurisdiction of judges and magistrates in Colombia so that they can extinguish the drug traffickers' right to ownership because we at least hope this will be temporary. The curve will peak at the beginning in which we will have a boom, let's say. The idea is for the curve to drop as time goes by.

[Reporter] It will only be handled at the court in Cundinamarca?

[Medellin] That is the idea in principle. Of course we are open to discussion in Congress and to the opinion of the magistrates. The important thing is for it to be handled by the judges with the rank of magistrates. We cannot have municipal judges handle this. It has to be done by qualified professionals. That is why we decided to have the courts handle this, but not all courts. We believe it should be limited to Cundinamarca Department because here we can provide them with greater security, allowing them to appeal decisions before the Council of State.

[Reporter] Minister, please correct me if I am wrong. To take this road, we need to previously sentence the person who is going to be adversely affected by the expropriation measure?

[Medellin] I am going to read the causes for expropriation which we have stipulated in this law. The answer to your question is: not necessarily. We do not necessarily have to sentence a person because the bill states: When can the right to ownership be extinguished? When the acquisition of the property stems from an illegal conduct, punishable by law, or when the property is used to commit a crime. As you can see, a sentence is required for the first part, but not for the second part of that cause. The right to ownership may also be extinguished when the origin of the property is judicially declared illegal. There is no discussion about that. The right to ownership may be extinguished when the property is acquired thanks to benefits obtained from conducts or activities of government employees, which are detrimental to the state. Here you can perfectly carry out the action.

Additionally, when it is determined that the ownership of the property is unjustified, here you find the court's jurisprudence, and here is where you find the advantage of not having one issue tied to another. This is what happens nowadays. What happens in Colombia nowadays? In order for us to extinguish the cartel's right to ownership we have to prove that the property was purchased with drug trafficking money. That is extremely difficult to prove because the money laundering networks have several generations. They launder one, two, three, four, five, and six times. When things have been laundered seven times it is impossible to prove that it was in fact purchased with drug trafficking money. Nowadays, I would say the law sort of protects this possibility of laundering money, which increases the economic power of the cartels. With this law, we are saying: no more. We are not inventing anything new.

[Reporter] Minister, what will happen with the property acquired legally? To give you an example: a drug store that was set up with drug trafficking money that is now operating legally. What will happen with these assets? We are talking about property actually purchased with illegal money.

[Medellin] Of course, the law keeps the victims into account. The judges can protect them if they can prove their good faith. The thing is that in Colombia in the last few years we have seen things like: I sold him the apartment by twice as much as what it cost me in cash, but I did not know he was a drug trafficker. That cannot happen any longer. The judge should have the sufficient criteria to say: You are not acting in good faith and you are not a victim because to sell your property by three times as much as what it cost you because you were paid in dollars. This is called money laundering. In Colombia we call it drug trafficking money. There will of course be sufficient mechanisms to avoid hurting people acting in good faith, and to avoid hurting the victims of activities in which they did not know drug traffickers were involved. The full weight of the law will fall on those properties that have been laundered. It will fall on the third, fourth, or fifth money laundering generations, meaning money that was very well laundered. If the judges determine the drug trafficking origin of this property, it may be confiscated and the right to ownership may be extinguished.

[Reporter] Minister, I would like to ask you the following. It so happens that the state will confiscate those properties, but is the state in condition to provide maintenance to those properties? What are you going to do? Are you going to sell those properties? Perhaps they can be donated to build sports complexes, factories, or who knows what else? No one else will be able to buy them? How is that going to be worked out?

[Medellin] We are going to create a fund called the Fund for the Fight against Corruption, the Underworld, and Organized Crime. That fund will be a special account at the National Narcotics Directorate and the property will be managed according to the policies drafted by the National Narcotics Council. Of course, the ideal thing will not be for the Narcotics Directorate and the fund to become managers of farms, buildings, cars, and so on. We have had bad experiences with these things because the farms deteriorate, and so on. What we want to do is to allow the Narcotics Directorate, once the right to ownership is extinguished, to rapidly sell those properties, to turn them into cash. If the property can be assigned to a club, to a government institution, or a foundation, it may do so, but the idea is for the property to be turned into cash so that it can be allocated for education programs, health programs, agrarian reform, the fight against drug trafficking, and alternative development. Those are the five ideas that are contained in the bill related to the management of the money produced by the sale of these properties. I repeat: health programs in Colombia, education programs, agrarian reform, the fight against drug trafficking, and the plan for alternative development.

[Reporter] There is an aspect having to do with the increase in sentences. What is the bill about? What does the government propose?

[Medellin] In Colombia, according to what we have seen after working with the United Nations and with the Narcotics Commission, which provided an excellent service in this field, we have seen three things. You remember the Italian antimafia prosecutor who came here, and who helped us a great deal in this regard. We have been able to see three things. Laws against drug trafficking in the world have three tiers, let's call it that. It has a high, an average, and a low tier. The high tier is the U.S. legislation, the UK legislation, and certain Asian laws that include the death penalty for drug trafficking crimes. There is an average legislation, which includes the European legislation such as the French, the Spanish, the German, the Belgian, and the Italian laws. The low tier includes the Colombian legislation and that of the other countries. What we want is to place ourselves at the international average, a little higher than we are now. We are not proposing anything strange. We are not adopting any exotic or absurd sentences. There will be a significant increase in sentences for the crime of drug trafficking and drug trafficking-related crimes. Sentences of four to 12 years are given for drug trafficking crimes today. The bill stipulates that people sentenced for drug trafficking crimes should be given between six and 20 years. We are going to create a new type of punishable crime, which is the assets laundering crime. In the past — as I said a while ago — our laws included the crime of using properties acquired through illegal means. We believe it was important to create a crime called laundering of assets because we are talking about a special situation here. A person may be investigated and processed for both conducts. This is not the case today.

Some ask why not. I have been asked that question all over the world. They ask me why a person cannot be investigated.

[Reporter] Why not?

[Medellin] Because the law does not allow it. Of course, it may be due to events prior to the law [words indistinct]. It is surprising to see that when these norms were discussed in Congress, they decided not allow the investigation of a person for both types of crimes. Here we are stipulating that a person may be investigated for both types of crime. The laundering of assets may lead to the sentencing of persons between six and 15 years. Likewise, we created a new type of punishable crime, which is the crime of being the boss of a criminal organization or of being a board member of a criminal organization, which does not exist today. The chief of the criminal organization is currently treated like an ordinary drug runner. A Colombian drug runner in Paris gets more years in prison than a cartel boss in Colombia, so we have created a new type of crime which punishes those who organize, lead, promote the organization, meaning those who are cartel bosses. You may be sentenced just for being a cartel boss. It is obvious that being the chief of a criminal organization is not the same as being a drug runner who was caught with 1 kg of cocaine bound for Europe. Just for being the organizer, the promoter, and the director of the cartel you may earn sentences of between 20 and 30 years. We are not going to be waiting around to prove that tons of drugs were exported. What we have to prove here is that he is simply the boss of the organization. One thing is the drug runner, the courier who was caught with 1 kg of cocaine at the airport and claims he was fooled. That is called drug trafficking. It will be punishable with a sentence of between six and 20 years. Another thing is that not only are we going to punish those who carry the drug, but also those who launder the money, and those who are the bosses of the organization. This means the sentences may add up, the six to 20- year sentence and the 20 to 30-year sentence. At a given moment, it is difficult to say how many years a drug trafficker may end up with. It is possible that the chief of a drug cartel in Colombia, who exports drugs, launders money, is the chief of the organization and other related conducts, may end up with a sentence of between 40 and 60 years.

[Reporter] [Words indistinct]

[Medellin] The system of benefits has also been regulated in the bill. We have received important suggestions from the Italian prosecutor, who has great experience in this. He said the surrender policy should not be completely eliminated. It is important to allow confessions to continue as a type of benefit. It has served a useful purpose in all parts of the world. We have received important suggestions from the Prosecutor General's Office because this topic has been jointly discussed with them. It is not an arbitrary bill.

[Reporter] Does the Prosecutor General's Office agree with this?

[Medellin] Of course. We have worked with the Prosecutor General's Office all the time. We have also worked with high-level officials from the Prosecutor General's Office and we have been working with them. This is not a joint bill drafted by the Prosecutor General's Office and the presidency, but we have been working with them. We have received many observations which we have kept in mind, but they have wanted to keep their independence for the future discussions in Congress, and I believe that is healthy. It is important for them to keep their independence. What we can guarantee is that a drug trafficker, the chief of a drug trafficking organization in Colombia, after this law is passed, will earn a sentence of between 40 and 60 years. As you know, the average age of drug traffickers in Colombia is actually low. We do not have the 60-year old Corleones here. We have younger drug lords of 30 to 40 years of age. They are relatively young so a sentence of 40 or 50 years is the proper sentence, we believe.

[Reporter] [Words indistinct] at the age of 42 after 22 years of criminal activity. Minister, I do not want to spoil your party but many of the things that are going on with Case 8,000 are due to the fact that two or three years ago, we tried to reform the criminal code supposedly to apply severe sentences to the drug traffickers. We know, because of the decisions being made by the Prosecutor General's Office, that during the course of these investigations, many congressmen were invited to the Inter-Continental Hotel in Cali, and were given a little money, others were given a little car. What the people think is that the bill will probably suffer a defeat in Congress or the toughness of the bill may be softened a great deal because of fear, because of the cartel's influence, or because they philosophically believe sentences should not exceed a certain number of years. Has the government thought about this?

[Medellin] Yes, Carlos, the last reason is the one I like the best. The one that a person may philosophically disagree with high sentences. [laughs] The other scenarios concern us much more. Let me tell you something. I, at the Justice Ministry, have received in the last few days a great number of calls from senators and representatives telling me they support the bill, both Liberals and Conservatives, followers of Samper and Humberto de la Calle. Congressmen from all tendencies have supported the bill. We are confident we will be able to pass this law.

There are of course congressmen, who have confessed their relations with the drug traffickers...

[Reporter, interrupting] What do you mean, Mr. Minister?

[Medellin] Congressmen who have confessed their relations with the drug traffickers.

[Reporter] Active congressmen?

[Medellin] No, no, congressmen who are under arrest. [laughter]

[Reporter] I made the question to clear up any doubts.

[Medellin] I was referring to those being prosecuted at the courts and so on. The situation has changed somewhat since then. I do not believe — in fact, I am sure of it — we can say most senators and deputies have this type of problem. If one takes a look at the persons who have already been sentenced and who have confessed their relations with the drug traffickers, they are the minority. It is not that we are flying so high that we have not realized what the country's situation is. We are realistic. We are not optimistic. There is concern, but people are also tired. People in Congress are tired of this topic. Colombians are tired of this and are asking: How long are we going to keep talking about this? We suffered the acts of terrorism in the late 1980's. We are now suffering from such a crisis that people are tired of Case 8,000, the government's crisis, and all of these topics, the result of corruption, and the result of the activities of the drug cartels. We believe we have a favorable atmosphere for this law. We are not claiming victory. We hope Congress will approve the bills soon and with your cooperation as well as that of all Colombians and the media we will be able to sign the bill soon.

[Reporter] Minister, the 40- and 60-year sentences, will they please the gentlemen from the North? Will they keep insisting on the extradition topic? What do you think?

[Medellin] The gentlemen from the North, I imagine you are talking about the United States. I know they would prefer the sentences for the drug traffickers, for example, to be much higher.

[Reporter] [words indistinct] 100 years.

[Medellin] We have our Constitution, we have our legal traditions, which we must respect. We cannot be agreeing with the sentences handed down by the U.S. Supreme Court. Generally speaking, throughout the history of the planet Earth, empires have grown thanks to their language and their laws. It happened in Rome. In Europe there was a time in which all laws were Roman law. It was so much so that the law was brought over to Colombia. The same is the case for the language. The English language is widely spoken. I have heard comments in the sense that there are some Colombian criminal code norms that are not in keeping with U.S. criminal jurisprudence. That is too much [preceding two words in English]. I do not believe there is total agreement but I do believe there will be some peace of mind in this regard. If we strengthen the Colombian judicial system through norms such as these, if we built the most modern prison in Latin America as we are going to build this year at a cost of $75 million, and if we confiscate properties, which is what the 1988 Vienna Convention, signed by us, states — I am not talking about the State Department, I am talking about a world convention — I believe pressures for extradition should decrease.

[Reporter] Minister, one final thing. There are many groups complaining and even though you have reiterated in the last few days that the decision being made is legal, and that we are not giving in to U.S. pressures, I remember that a few months ago you told me: Do not speak to me about extradition. You even said it was a topic that frightened you because it revived terrorism and endangered many lives. Today the government and you — I say it respectfully — are talking about extradition. Many sectors will understand it as an acceptance of the U.S. demands.

[Medellin] What you claim I said several months ago is not true because I must say it with dignity but with sincerity. I was a victim of the terrorism of the Medellin Cartel. You know it. A member of my family was killed. No one wants terrorism, no one wants violence, and I do not know why the country has a poor memory. There are those who say that it does not matter if terrorism returns, but it does matter. That is one of the president's concerns. Every time I talk to the president about this, the president has always told me this: be careful because we have to avoid a deterioration of the public order. We have to prevent people from suffering from terrorist actions. That has always been the president's concern because those are the kinds of things which presidents are concerned about. It is not a matter of adopting decisions and changing one's mind, and saying that it does not matter if terrorism returns. It does matter, of course. It is the obligation of the presidents to ensure the peace and tranquillity of citizens. However, when we received the formal U.S. request to extradite four Colombian nationals, which in the past was just a theoretical thing; and when the United States invoked an international treaty, which cannot be implemented but is in effect internationally; the situation became much more complicated. Legally speaking, we have said we cannot extradite Colombians because the treaty has not been incorporated into Colombia's legal order, because the law was declared unconstitutional, and because we now have a new Constitution prohibiting this.

The Constitution prohibits the extradition of Colombian nationals, but the topic evolved in such a manner that you, the media, said the government does not philosophically agree with extraditions. That is not true because the government has extradited drug traffickers. We have extradited more than 15 drug traffickers in this administration, and resolutions involving drug traffickers from the Cali Cartel and the Cosa Nostra have even been signed by President Samper. I am talking about Americans, Mexicans, and drug traffickers of all nationalities. If we philosophically opposed extradition as a mechanism to streagthen the fight against drug traffickers, we would not extradite foreigners, but we are doing it all the time. I have said it and I repeat it. I believe it is an effective mechanism for the fight against drug trafficking. We have publicly recognized it. Of course, proposals are made to allow a Colombian national to be tried by Colombian judges in the Spanish language. We agree with that. I believe there is no mystery about the language thing because the big drug traffickers hire the best lawyers in the United States. If the law has been violated in another country, if a crime has been committed in another country, if another society has been offended, what usually happens — and this has happened throughout the history of law in the world — is that the society can claim that person in order to try him, judge him, and sentence him. A different thing would be if the crime is committed here, and that another country demands the drug trafficker's extradition for a crime committed in Colombia. That is a completely different topic. We are, therefore, concerned about the public order topic. It is the president's concern but not to the extreme that [words indistinct] extradition.

[Reporter] Justice Minister Carlos Medellin: We can talk about these topics for a much longer time. Unfortunately the time is up. We can talk about these topics again. We do want to thank you for explaining the extent of these two important bills to the Colombian people on Sunday. Thank you very much for the dialogue you have held with journalists Carlos Ruiz, Samuel Salazar, and Juan Dario Lara. Have a good day.

Colombia: Chamber Head Says Enhancing Justice 'Essential'

PA2407140496 Santa Fe de Bogota EL TIEMPO in Spanish 20 Jul 96

[Received via Internet]

[FBIS Translated Text] For the outgoing Chamber of Representatives president, Rodrigo Rivera, the debate on extradition loses momentum if sentences are not laughable, and if inmates do not escape, or keep committing crimes. He does not believe that the priority of the new legislative agenda, which starts today, is to reform the Prosecutor General's Office or redesign the manner in which to conduct politics in the country.

According to him, there is another agenda that is essential and cannot be postponed because national security is at stake: the package of legislative measures aiming at strengthening the fight against drug trafficking mafias.

"This agenda of national emergency the government proposed must also be the agenda of Congress," Rivera pointed out a few hours prior to leaving the large office from where he has presided the Chamber since 20 July 1995.

Rivera maintained that such initiatives as those seeking the elimination of the drug traffickers' right to assets and the surrendering policies, and the toughening of sentences for members of criminal organizations, are on the president's sight and the legislators' mind-set. "With the government's leadership and as long as these bills are handled without ambiguities, Congress will move forward with them," Rivera affirmed.

He has his own theory for the controversial extradition issue: the best form to undermine the debate is to show resolve to strengthen justice. He said: "We talk about extradition only when the sentences are laughable and when inmates escape from prison or keep committing crimes from within them. If this situation improves, the debate on extradition loses ground."

He explained, however, that an analysis on the issue must not be conducted on the inside only, but also on the outside. This is why he believes that Colombia must promote the creation of international laws against drug trafficking, the laundering of assets, the business of precursor chemicals, and terrorism.

As for the new U.S. policy of revoking visas to go to that country to those who are allegedly drug trafficking collaborators, Rivera underscored that it is a new concept of sovereignty that it is intended to be "forcefully" implemented.

The outgoing Chamber president said: "I have never justified the revocation of visas as a tool of public scorn. If the concept of sovereignty is to be changed, let us all do it with the European Economic Union, with the Mercosur [Common Market of the South], with the Andean Pact, with the countries involved in drug trafficking. The U.S. attitude is, to say the least, a subtle interventionist attempt."

Assessment

At the time of making assessments, Rivera is pleased, because he established a three-year development plan, which includes the complete systematization of the Chamber of Representatives, a thorough administrative reorganization, and a plan of corporate image and international relations.

According to Rivera, the Chamber is now connected to Internet, the Constitutional Court, and a data base, so that congressmen may have access to the bills Congress discusses or administrative information. "We cannot talk about legislative assessments or the legal work we should have done during the trial against the president only; there is much more to show," he affirmed.

Colombia: 'War Tax' Would Increase Military Resources

96P20467A Santa Fe de Bogota EL TIEMPO in Spanish 20 Jul 96

[Received via Internet]

[FBIS Translated Text] The government has announced that it will establish a new war tax to finance the Armed Forces. This tax will be collected in 1997.

Agreement was reached in a meeting between Finance Minister Antonio Ocampo, Defense Minister Juan Carlos Esguerra, and National Planning Department Director Juan Carlos Ramirez.

There is agreement on the necessity of increasing resources for the Armed Forces but it has not been firmly decided how the new tax will be imposed, in other words, whether it will be done by presenting a bill to Congress or by means of exceptional measures.

What is certain is that some 500,000 million pesos are needed for the Emergency Plan for the Armed Forces, announced by President Ernesto Samper. Those resources will be used to purchase helicopters, increase personnel, and create new brigades and battalions.

Ocampo confirmed that the tax will be introduced at the beginning of 1997, since it would be difficult to levy it during what remains of the current year. Although the government has not yet defined how the tax will be collected, several alternatives are being considered.

One alternative would be to apply a surcharge to the tax on income and other taxable commodities, such as the one which has been in effect since the 1995 tax reform was introduced.

There is currently a 35-year percent income tax which could be increased if the surcharge were approved.

Another option would be for businessmen to be required to purchase investment bonds.

Another alternative would be for the government to increase the value-added tax. However, this would be the most unpopular alternative.

The government considers it a priority to increase resources for the Army in order to stop insurgent activity. Recently the chief of state said that an increase in the number of troops since the country has 157,000 soldiers when it should have 358,000.

Colombia: Business Groups Reject Tax for Military Forces

PA2407140396 Santa Fe de Bogota EL TIEMPO in Spanish 23 Jul 96

[Received via Internet]

[FBIS Translated Text] President Ernesto Samper Pizano's announcement regarding the collection of contributions for the military forces has been rejected by the country's largest economic associations who warned that the production sector can no longer put up with fiscal burdens.

Sabas Pretelt de la Vega, National Federation of Businessmen (Fenalco) president, said that the government should reallocate the budget allotments, or obtain more resources from foreign sources, instead of asking the private sector to make a new sacrifice.

For the Colombian Construction Board, Camacol, which represents one of the sectors facing a slowdown phase, this is not the best time to talk about new taxes if we take into account the current economic situation. Camacol President Alberto Vasquez Restrepo pointed out that the government always claims that special taxes are collected once only and ends up collecting them for indefinitely.

Even though the Samper administration has yet to define what type of contributions it will implement, it is known that the resources obtained in this manner could exceed 500 billion pesos. Finance Minister Jose Antonio Ocampo yesterday affirmed that a special tax will be collected only from higher-income taxpayers.

In the opinion of Juan Manuel Ospina, Association of Colombian Farmers (SAC) president, the government cannot resort to the simple argument of permanently increasing taxes prior to making a thorough revision of military strategies and the effectiveness of national security spending.

Cesar Gonzalez Munoz, Banks and Financial Institutions Association (Asobancaria) president, agreed, and added that it is necessary to hold a public debate on the quality and effectiveness of military spending.

Ecuador

Ecuador: Army Head Urges Patience in Peace Process

PY2407031396 Madrid EFE in Spanish 1839 GMT 23 Jul 96

[FBIS Translated Text] Quito, 23 Jul (EFE) — Army Commander General Cayo Moncayo, future chairman of the Armed Forces Joint Command, called on Ecuadorans today to have "patience and hope" in the peace process with Peru over the territorial dispute.

"We must have patience and hope that the solution (of the territorial problem) will not be far away, that Peru be more flexible, and that the spirit of peace prevail in the two countries," Moncayo told the media.

Gen. Moncayo, the current Army chief who was recently designated for a new position by President-elect Abdala Bucaram, said that the peace process between Ecuador and Peru that has been under way since March 1995, following the undeclared war in January and February of that year, "is moving slowly but successfully."

"The negotiations are complex not only in the military but also in the diplomatic and political fields," said Moncayo in reference to the peace process between Quito and Lima, which is based on the Itamaraty Peace Declaration signed on 17 February 1995.

Peruvian Ambassador in Quito Hugo Palma was "pleased" with the Ecuadoran Government willingness to continue the peace process after the change in administration on 10 August, when populist Abdala Bucaram will be inaugurated.

Palma expressed his "satisfaction" over the confirmation of Galo Leoro as foreign minister under the new Bucaram administration, which will conclude in the year 2000.

Palma said: "It is satisfying because Leoro is an experienced politician who knows quite well all the steps taken, and obviously it will be satisfying to continue working with him."

Ecuador: Army Head on New Government, Armed Forces' Future

96SM0446A Guayaquil EL UNIVERSO in Spanish 10 Jul 96 p 10

[Interview with Army Commander General Paco Moncayo Gallegos by Joffre Benitez: "General Moncayo: 'We Are Negotiating Peace Without Fear'"; place and date not given]

[FBIS Translated Text]

Diplomatic Continuity Pleases the Armed Forces

Quito. The Commanding General of the Army, General Paco Moncayo Gallegos, expressed his pleasure over the evident intention of new President Abdala Bucaram to provide continuity to the peace process with Peru.

He believes that this will prevent delays in the negotiations. He also says that Ecuador is continuing the talks without fear, and that no impositions will be tolerated.

In a conversation with EL UNIVERSO, General Moncayo reviewed the country's current situation.

Democracy and the Armed Forces

[Benitez] What are your expectations of the new government?

[Moncayo] I have the satisfaction of having been consistent before, during, and after the electoral process. I have said that this is a matter which requires policies of state, and that it does not matter which of the candidates reaches the presidency; in this there must be continuity, because the commitments that have been undertaken are commitments of the state, not of President Sixto Duran-Ballen.

The president-elect even proposes continuity in the position of foreign minister, which would assure continuity in the negotiations, and, more important, would maintain an experienced interlocutor facing Peru — depriving Peru of the pretext of a change in Ecuadoran negotiators in order to delay progress in the peace process to further its own interests.

The recently elected president has behaved as I have always confidently foreseen, and that pleases me.

[Benitez] How did Peru react to the results of the Ecuadoran election?

[Moncayo] Peru has carried out a systematic campaign of psychological warfare against Ecuador, with the intention of dividing Ecuadorians and creating distrust between the political and military leaderships; and they have even tried to divide the military leadership.

The campaign's very obviousness caused it to fail. They have tried to present us to the international community as a people that does not meet its international obligations, as violators of human rights — and in some instances they have been successful, such as the report of Amnesty International which said that we have an unworthy attitude toward Peruvian citizens. They try to promote their positions while tearing ours down. This is all a campaign. It also shows that their press is not as free, as independent, and as impartial as the Ecuadoran press.

[Benitez] What should we fear about the new government?

[Moncayo] Not all new governments awaken fears, but they do create expectations that become clearer, not according to prejudices that may be present but as to specific acts that the government accomplishes.

We must hope that all of our most favorable expectations are satisfied by the acts of a government that will not perform miracles nor resolve problems overnight — because this does not happen in practical politics; but it is also true in practical politics that when a government shows it is doing its best with the resources at its disposal to move the country forward, the country is usually generous enough to recognize the effort that is being made.

Let us wait attentively to see whether or not our expectations are realized during the coming months and we will have the chance to make further judgments.

[Benitez] What do you see as the country's main social problems?

[Moncayo] Poverty and unemployment, which all of the candidates in the electoral campaign emphasized and the two final candidates underlined to a special degree.

We must fight very hard to bring people out of economic prostration and place them so that they can become economically active elements, elements that dynamize through the demanding productive process.

[Benitez] Are you beginning to see a confrontation between the new government and the opposition?

[Moncayo] Societies in each country are made up of groups with varying interests. There is no country in the world that is absolutely uniform in its interests. The interests of the commercial, industrial, and farming sectors are different. There are various ways of seeing the present and the future, and this is why there are political parties. One of the essential elements of democracy is the ability to dissent.

These differences in a properly organized society that is rooted in unity enable different positions to come together in the face of common interests, such as those of the nation.

[Benitez] Has the democratic calling of the Armed Forces been confirmed?

[Moncayo] We are an institution that is a part of the country and the world, and we do not want to swim against the tide. The democratic system has become stronger throughout the entire world, it has become legitimate, it has shown itself to be the best way for peoples to find the solution to their problems by consensus. The democratic idea itself is sufficiently valid to cause the adherence of persons and institutions.

Diplomatic Negotiations

[Benitez] Are prescriptions effective in the solution of the border and territorial problem?

[Moncayo] In this case it is neither a prescription nor the imposition of a behavior. I believe it is a perception of the wish for peace of the Ecuadoran and Peruvian peoples, it is an understanding that the only way for Latin America to go forward toward a better future in a climate of peace — without suspicion, distrust, or conflicts between countries — because the time has come for integration.

We only hope that the problems that are still with us will be resolved in a climate of justice and equity, so that there is no further bitterness or antagonism.

[Benitez] Are some matters still pending within the pacification process?

[Moncayo] These processes are never short, and we should not create false expectations for ourselves.

We are finally talking, because, thanks to the conflict and the Treaty of Itamaraty [Brazilian Foreign Ministry headquarters], Peru has agreed to sit down at the negotiating table. We have been talking for a year and we have made very significant progress, within the time frame of international negotiations.

We have to see things in their real dimensions. We do not want to hurry matters, only to become bogged down later.

[Benitez] What is the Ecuadoran position for the meeting of the group on transparency that will take place in Lima?

[Moncayo] The initial steps are prudent; they are not obviously significant but they create the basis of trust for more rapid progress in the future.

In the meetings, public opinion must be prepared to see not spectacular progress but rather small, solid steps in order to achieve greater progress.

[Benitez] What decisions must be taken in the joint meeting in Brasilia at mid-year?

[Moncayo] The guarantor countries are proceeding very cautiously. They are trying to proceed carefully so as not to affect the peace process or to cause an impasse that might block the process.

The processes that are successful are those that have maintained progress in small, not spectacular things that could become stalled.

It is to be hoped that the guarantor countries will define themselves, as this is a time for definitions, and progress can no longer be postponed. Let us hope that the procedures of Momep III [the Military Observers' Mission] will be defined, and that the area of control adjacent to the demilitarized zone will be defined — because if Peru wants peace, I do not know why they have to put obstacles before everything that advances the negotiations, with behavior completely opposite to that of Ecuador — which, instead, with openness, absolutely supports everything that advances the finding of a definitive solution to the problem.

[Benitez] Peru could not impose its will by force. Will it be allowed to succeed through diplomatic negotiations?

[Moncayo] A country which negotiates from a position of law and justice cannot accept impositions, because then it would no longer be a negotiation, and impositions could come only from a position of force. We must negotiate without fear, not from a position of fear. As someone said, do not fear to negotiate but do not negotiate out of fear — because if we negotiate from fear, we will begin to give in on those aspects on which legitimately we do not have to do so.

[Box, p 10]

The Logistical Withdrawal of the United States Is Not Slowing the Peace Process

[Benitez] Is the departure of the United States Logistical Support Group slowing the peace process?

[Moncayo] Logistical support is something absolutely secondary in the activities of Momep; and if the United States does not provide it, Brazil, Argentina, or Chile can. It is not as if they were backward countries, unable to contribute helicopters, medical support, and communications.

I do not even see the withdrawal of U.S. support as a minor setback in the peace process. The only important point is to find an alternate source to supply Momep with logistical support.

[Benitez] Is Peru's opposition to expanding Momep's area of control perhaps due to the location of its military outposts between points 13, 14, and 15?

[Moncayo] No, the area where the three detachments are located has been under Momep's control from the beginning of its activities. This is a matter that must be resolved.

Momep's presence has never exclusively involved demilitarization. One of the steps was to demilitarize, and another was to demobilize. Demilitarization, which was accomplished, has nothing to do with demobilization, which is something different and is the next step. There is the demilitarized zone, which does not prevent the second phase from being carried out — which is the demobilization of the troops that were brought there for the conflict — and in addition, the commitment by Ecuador and Peru in the document of proceedings not to create new detachments and new units in the area.

I ask you, if there is a desire for peace, why must we create new units?

[Benitez] Will new Ecuadoran detachments be placed opposite those that Peru has not yet demobilized?

[Moncayo] We must act consequently as a country. There cannot be decisions by the military, by the Foreign Ministry, and by the political leadership.

The decision whether or not to create a detachment is not a military decision, but a political one.

[Benitez] Is the Ecuadoran thesis appropriate, which deals with the procedures for negotiating the remaining obstacles?

[Moncayo] The negotiation is extremely difficult. The problem goes back two hundred years, and Peru's position is inflexible, so that our Foreign Ministry must use all its skill and professionalism to make progress. I believe that is what the Foreign Ministry is doing, and we must support it.

[Box, p 10]

The Armed Forces Face the Future

[Benitez] How are the Armed Forces preparing for the next century?

[Moncayo] The Armed Forces have been undergoing a very important transformation in recent years, which has led to greater professionalism and an expansion of operational capability. The Armed Forces have planned their future to define the Army of the next century.

We have completed plans, programs, and projects as far as the year 2020, which will provide for leadership without interruption and with continuity.

[Benitez] Has the war changed your strategic plans?

[Moncayo] On the contrary, at the height of the conflict, strategic planning had culminated in a meticulous analysis of the institution's condition, with a very accurate diagnosis of all areas.

When we had to evaluate the conflict, we were able to evaluate the reality — not just on paper — of all of our positive points and weaknesses.

In a sense, the war strengthened our analysis and evaluation capability and gave us better elements for judgment with regard to future planning.

[Benitez] Is our current economic crisis also affecting the Armed Forces?

[Moncayo] Obviously, it is difficult to imagine rich Armed Forces existing in a poor country. This also obliges us to refine our planning even more.

We must use our resources more efficiently in order to produce optimum results. I believe that, despite enormous economic limitations, we have used each centavo that the state budget has provided us so that our operational capabilities have not been affected.

[Benitez] But cannot resources be provided by the Army's industries?

[Moncayo] When the Army Industries Directorate [DINE] was created, its purpose was to support the country's industrial development and to create an option for industrial management that unfortunately did not exist at that time in the private sector.

The DINE legislation said that all the profits had to be returned to investment, and not a single centavo went for the Armed Forces; but it was later stipulated that up to 50 percent of the profits could be used in the Armed Forces budget.

Circumstances are different and things have changed. There is another perception now of the role of the Armed Forces in support of development, and there has been something of a fallback by the Armed Forces, so that its firms have undergone an important transformation by utilizing foreign capital, which gives the Armed Forces the option of moving toward more fundamental aspects that are appropriate to its mission.

[Benitez] Why did the Armed Forces neglect civic action and support for the fight against crime?

[Moncayo] Possibly the war took away a bit of the intensity with which we were working in support of the community and turned us a bit toward our natural concerns, but without our policy of commitment to the community ever having suffered the slightest decrease.

The Army's poverty and lack of resources have also been a factor. Much of the civic action we have carried out was performed with our own resources, savings, even our own food —but the spirit of commitment to society is in the hearts of all Ecuadorians and is not going away.

[Benitez] What institutional requests will you present to the new government?

[Moncayo] We have an institutional code of conduct that we cannot go back on for any reason. You know very well that our salaries are low, we are not paid punctually, and we have to perform miracles to find the money to pay personnel; but we have suitable and appropriate mechanisms to present our problems to the political leadership, in a moderate tone and without making a scene, because we always want to contribute to the country's welfare.

When the time comes for us to go to the political leaders with our problems, which exist and are very serious, we will do so using the dignified and responsible procedures at our disposal, as we have done up to now.

Ecuador: Officials Discuss Fiscal Deficit, Social Programs

PY2407005396 Madrid EFE in Spanish 2346 GMT 22 Jul 96

[FBIS Translated Text] Quito, 22 Jul (EFE) — President-elect Abdala Bucaram asserted today that the Ecuadoran economy, which is enmeshed in a severe recessionary crisis, "is recoverable." Bucaram added that notwithstanding the present crisis, he will give his full attention to social programs, obtaining financial resources from an increase in revenues collected from taxes and customs duties.

The president-elect told EFE news agency that "it is possible to resume the path of economic growth. Obviously, the Duran-Ballen administration has been successful in many aspects, but there are also important shortcomings, which are seen in the level of unemployment currently prevalent in Ecuador."

Bucaram further stated that his government plans are going "well, adding that he is working on the economic and social areas." He nonetheless made it clear that he "will unveil the names of his cabinet members" on the day of his inauguration on 10 August.

In response to a question about the fiscal deficit, which amounts to some $190 million, the president-elect said that "it is large, but can be balanced by dint of hard work, production, more efficient tax collection, and more customs revenues."

Following an informal luncheon with Bucaram, Peter Romero, U.S. Ambassador to Ecuador, told the president-elect "we shall see each other in New York," thus alluding to the fact that his tour is drawing to a close and that Bucaram is to travel to the United States on 5 August.

Vice President-Elect Rosalia Arteaga told EFE that "we have a clear social vocation and our concern lies in the masses."

Arteaga said: "We want to devise a coherent policy, which will enable the utilization and prioritization of investments in social programs, especially in education and medical care." Nevertheless, she made it clear that "we are most interested in other areas too, such as housing and environmental sanitation."

The vice president-elect further stated that the policies that the future administration intends to pursue are those which "will be instrumental in enhancing the quality of life of Ecuadorans." She moreover asserted that she will hold several meetings tomorrow to "work without stint on the formulation of social programs."

Asked about a possible trip to Brazil, Arteaga told EFE that "we are evaluating that possibility and we will confirm it in the forthcoming days." She added that if she travels to Brazil "we will meet with the vice president and the foreign minister. We are assessing that possibility so we neither confirm it nor rule it out."

Bucaram and Arteaga will assume office on 10 August, when the outgoing conservative president, Sixto Duran-Ballen, will hand over power after completing his four-year tenure.

Ecuador: Alarcon, Vallejo in Race for Congress President

96SM0450A Quito HOY in Spanish 18 Jul 96 p 1

[Unattributed article: "Alarcon and Vallejo, a Real Head-to-Head Race" — received via Internet]

[FBIS Translated Text] There is a hard-fought dispute in Congress between deputies Fabian Alarcon of the Radical Alfarist Front [FRA] and Carlos Vallejo of Popular Democracy [DP] to see who will capture the principal congressional offices, for which elections will be held on 1 August.

Although Alarcon has not yet officially announced his candidacy, several parties are supporting him, such as the Ecuadoran Roldosist Party [PRE], 19 votes; two deputies from the APRE [Ecuadoran Revolutionary Popular Action]; two deputies from the Conservative Party, and three deputies from the FRA. It is also known, unofficially, that deputies from the DP, the Pachakutik Movement, the Democratic Left, and even from the Social Christian Party [PSC] will give Alarcon their votes, in order to obtain benefits from the government for their respective provinces.

With this support, Alarcon would have more than the 42 votes necessary for his reelection. Nevertheless, the other principal candidate, Carlos Vallejo, is continuing to make every effort to win the presidency of Congress. He announced yesterday that he had spoken with the New Country-Pachakutik Movement, and that he might receive the support of the entire Movement.

According to Vallejo, the talks with Pachakutik were oriented toward winning the chief congressional offices, with the presidency possibly going to the DP and the vice presidency to Pachakutik, or vice versa.

New Country deputy Luis Macas made no direct reply, but said that his candidacy for president of Congress was continuing. He charged that a series of "political tricks" was underway to obtain his bloc's votes, but said that the Movement was completely united and would remain uncorrupted.

Meanwhile, ten deputies from the Amazonian bloc announced that, if Vallejo's prospects do not improve, they will demand the vice presidency of Congress from Fabian Alarcon. There are four DP deputies in that bloc.

It should be emphasized that, despite all the reports, the last word is not yet in. The PSC, the largest party with 27 deputies, has not yet decided whether to go with its own candidate or to confirm its support for Vallejo. Heinz Moeller's silence is viewed as significant.

Ecuador: Priorities for New Congress Outlined

96SM0450B Quito HOY in Spanish 18 Jul 96 p 1

[Article by Xavier Neira Menendez: "Legislative Priorities" — received via Internet]

[FBIS Translated Text] Following the election of its officers, the next National Congress will have one fundamental priority: to create a political consensus that enables the filling of the few gaps that remain in the codified constitution (R.O.969 of 18 June 1996), as well as passing important laws to implement new constitutional dispositions in force since January 1996, and writing new laws which enact principles and institutions recently incorporated into the constitution. I will mention several aspects which deserve special attention.

The decentralized nature of the Ecuadoran state not only makes necessary the updating of the LOAFYC [expansion unknown], the budgets, and the laws governing provincial and municipal governments, but also the enactment of the law of decentralization which develops the basic principle that is now part of the constitution.

Also required are secondary regulations which make possible holding double nationality for Ecuadorians by birth who acquire another nationality, as well as for foreigners who have become naturalized Ecuadorians but who want to retain their original nationality.

As for the rights and guarantees of citizens, it is urgent to enact the law which protects the name, the image, and the voice of persons; and which makes effective the juridical equality of sexes recently enshrined in the constitution, as well as the elimination of all discrimination against women and children.

It is equally imperative to enact into law the provision which provides for the first time in our constitutional history a single national health system — not five systems, such as exist now — on the principles of universality, equity, solidarity, and efficacy. Equally important is the provision which recognizes the civil responsibility of the state to indemnify private persons for injuries caused by deficient public services and judicial errors for wrongful imprisonment. The juridical figure of people's defender appointed by Congress by the vote of two-thirds of its members will protect the citizen in his fundamental rights guaranteed by the constitution. The right of habeas data will become the vehicle which prevents abuses and false or untimely information that adversely affects the citizen.

The new chapter on the environment merits a special law which protects the species from excesses, abuses, contamination — irrational exploitation of resources, in sum — from the depredations of man.

Concerning political rights, a law must be passed which develops the constitutional principle of minimum representation to ensure the survival of political parties, and impede in this way the harmful splitting of parties and dispersion which characterizes the Ecuadoran political map today.

The standard must also be restored which appears in provision three of the constitutional reform of 1992 for the partial renewal of the magistrates of the Supreme Court of Justice, a standard that was unfairly eliminated in the codification that the Plenary of the Legislative Commissions debated and approved a few weeks ago. Not to do so would create a legal vacuum which would even affect the imminent designation of 24 new permanent associate judges of the Supreme Court of Justice.

If Congress does not undertake these essential tasks, the constitutional reforms inspired by the need to rejuvenate the relationship between state and society will pass unnoticed, and this will further the belief, expressed in the recent election, that our political system suffers from a persistent delegitimization at times of serious social disaffection.

Peru

Peru: Fujimori Undecided About Bucaram's Inauguration

PY2407002796 Lima EL COMERCIO in Spanish 17 Jul 96 p A4

[FBIS Translated Excerpt] Peruvian President Alberto Fujimori said on 16 July that he has not yet decided if he will go to Quito, Ecuador to attend the inauguration of Ecuadoran President-elect Abdala Bucaram [on 10 August].

As is known, the Foreign Ministry has already received the official invitation extended to Fujimori.

Regarding the invitation Bucaram issued through the media to share "a Peruvian ceviche," Fujimori said that when dealing with relations among presidents "these kinds of invitations cannot be made in such an informal manner."

Regarding Peruvian-Ecuadoran ties, Fujimori said that the fact that Ecuadoran Foreign Minister Galo Leoro Franco and Peruvian Foreign Minister Francisco Tudela will remain in their posts will give continuity to the bilateral negotiations process.

Fujimori said: "There will be no interruptions in the contacts between the two countries."

Fujimori also described as "normal" the mobilization of Ecuadoran troops to provinces bordering with Peru.

He said: "Peru believes this to be a normal situation because while there is notification of maneuvers 48 hours in advance in compliance with the procedure manual, there is no impact."

Regarding the penal procedure against Second Vice President Cesar Paredes Canto on charges of alleged influence peddling, Fujimori said that it will be up to the courts to determine whether he is innocent or guilty. He said that the crime he is charged with "is what was previously known as recommending someone for special consideration [tarjetazo]."

Fujimori also denied there will be any cabinet changes on the occasion of independence day festivities [28 July], as it is traditional that all cabinet members place their posts at the president's disposal on this date. [passage omitted]

Peru: Fujimori Says Ties With Argentina 'Remain Firm'

PY2407002996 Lima EL COMERCIO in Spanish 18 Jul 96 p A4

[FBIS Translated Text] Peruvian President Alberto Fujimori stated on 17 July that the resignation of Argentine Defense Minister Oscar Camilion is evidence of the Argentine Government's desire to clear the issue of weapons trafficking to Ecuador.

The Peruvian president said that relations between Peru and Argentina remain firm and have not been disrupted.

"Relations between Peru and Argentina have never been disrupted. On the contrary, they have been strengthened. It is for this reason that all steps the Argentine Government is taking are positive signs of the unshakeable friendship between the two nations," he said.

He added that Argentine President Carlos Menem has a commitment with Peru to this cause and he is fulfilling it.

The Peruvian president also confirmed the inclusion of Congressmen Enrique Pulgar Lucas and Nenis Vargas Marin into the ruling Change-90-New Majority bloc.

Denis Vargas, who accompanied the president in his trip to Mamara in the Grau Province, Apurimac Department, where a new police station was dedicated, formally accepted the invitation extended by the president to join his party.

This invitation to the congressmen is explained, according to the president, "because these congressmen have a behavior in line with the government working policy."

Fujimori said: "They are congressmen who with a few months of experience have realized that intensive and serious work is much more fruitful than traditional politics."

Peru: Doubts Expressed Over Bucaram's Military Leadership

PY2407012996 Lima EXPRESO in Spanish 19 Jul 96 p A30

[Editorial: "Who Will Be the Boss in Ecuador: Abadala Bucaram or Paco Moncayo?"]

[FBIS Translated Text] Only two days after the promising trip Ecuadoran President-elect Abdala Bucaram made to the Peruvian border, where he said that the conflict with Peru will be definitively concluded, it was learned that [Ecuadoran Army Commander] General Paco Moncayo decided to conduct military maneuvers on border provinces, mobilizing 40,000 men. Three days later, the president-elect announced that he will designate Moncayo chief of the Armed Forces Joint Command, despite the fact that the controversial general is retiring by the end of the year.

Suddenly in Peru we have once again the unpleasant memory of double talking. Declaration of friendship, first, and challenge afterwards. Moncayo's designation has not been well received here. We know him: He openly sponsors a strategy of infiltration of our borders in order to generate situations such as that of the Upper Cenepa which has caused the death of many people. His idea is to provoke conflicts from geographic positions favorable to Ecuador and to thus try to undermine the Rio de Janeiro Protocol, nurturing the idea of an open wound that treaty has not healed.

Designated by the president-elect, Moncayo felt strongly enough and had the audacity to tell EXPRESO on 18 July that the Rio de Janeiro Protocol "is not an instrument of peace or friendship or even of limits..." and that he doesn't believe in "treaties imposed by force which do not solve anything...." He ignores, of course, the fact that the protocol was ratified by the Ecuadoran Congress when the Peruvian Army was no longer on its territory.

What Peru must expect from the president-elect is the recognition of the protocol. Otherwise, the peace talks have no sense. These talks are held within the framework of the protocol or are not held at all. Bucaram must know by now that persistence on an unresolved situation on the border harms Ecuador more than Peru, because it has a smaller economy, so that military expenditures become proportionally much larger.

The most urgent thing would be to suggest Bucaram to explain to Gen. Moncayo that it is not appropriate for military officers to make political remarks but to government officials, something the fragile Duran-Ballen administration has never been able to do. It is not recommendable to show weakness before the Armed Forces and Peru expects Bucaram — who had given vigorous signs of leadership — will not feel comfortable in that role. Otherwise, that will become — as can be seen — a serious factor of disruption of relations between the two countries.

With his boastings, Gen. Moncayo projects the international image that Ecuador is a country dominated by the military caste. The military makes many more statements than the foreign minister. During the electoral campaign he pointed out to a given candidate what he could not say. At the end, he gave instructions in the sense that the loser must admit his defeat. He is the arbiter of Ecuadoran politics. More than that: He is the power.

The trial by fire of the Bucaram administration will be the issue of who will be the boss: Moncayo or he. To begin, the reform of the Ecuadoran economy must start with the elimination of the petroleum royalty for the Armed Forces and the privatization of companies conducted by the military. If Bucaram achieves this, there will be peace. Otherwise, we will not wake up from the Ecuadoran nightmare.

Peru: Daily Notes Inconsistencies in Moncayo's Remarks

PY2407034096 Lima GESTION in Spanish 19 Jul 96 p 24

[Editorial: "Moncayo and the Protocol"]

[FBIS Translated Text] Ecuadoran Army Commander General Paco Moncayo, who will be the chairman of the Ecuadoran Armed Forces Joint Command under the new administration, has just made some remarks that are at least offensive for Peru and the guarantor countries, which are involved in a peace process between Peru and Ecuador.

According to General Moncayo, the 1942 Rio de Janeiro Protocol "is not an instrument for peace or friendship, nor even to establish the border." It is worth pointing out that the remarks were made 54 years after the Congress of Peru and Ecuador ratified the treaty and made it an undisputable juridical instrument.

The remarks should be measured adequately because they came from an authority who, without being a diplomatic spokesman or a representative of the civilian power, represent a relevant sector of Ecuadoran society, such as the military institutions.

First of all, the great difference of opinion on this issue should be pointed out. On one side, outgoing President Sixto Duran-Ballen recognized the validity of the protocol (although with the theory of the total or partial inexecutability of the protocol).

On the other side, President-elect Abdala Bucaram has not only expressed goodwill for the talks with Peru but he even went as far as saying that "the problem is already over."

Within this context, General Moncayo's remarks are very inconsistent with the recent comments made by his superiors. But in addition to that, the low opinion General Moncayo has about the protocol that regulates the peace between Ecuador and Peru goes contradicts his subsequent remarks that "there is no reason for changes of any kind" in the relations between the two countries, and that the contacts must continue "with the hope of continuing the peace talks."

Obviously, if the first part of his remarks represent a serious error of judgment, the second represent lack of respect. How could six countries be asked to continue using time and resources in difficult diplomatic negotiations based on a protocol that is not recognized?

The guarantor countries have the right to feel mortified by the remarks of a high Ecuadoran military officer. The international community could be asking what is the real Ecuadoran will for peace if an officer, who is subordinated to the civilian power, is allowed to make judgments of that kind.

It is not repetitive to recall that since February 1995, Peru, Ecuador, and the four guarantor countries — The United States, Argentina, Brazil, and Chile — have been involved in a process full of achievements such as the Itamaraty Peace Declaration, the creation of a demilitarized zone, two meetings of foreign ministers in Quito and Lima, the exchange of list of "subsistent impasses" in Brasilia, and another meeting of foreign ministers to define procedures held in Buenos Aires. The good faith and the credibility of the participating countries were the basis for these achievements.

Naturally, the progress made cannot be put in doubt by the inappropriate, and hopefully isolated, Moncayo's remarks.

The relations between countries are based on respect for international law and the instruments created under that law. The Rio de Janeiro Protocol is recognized as the peace, friendship, and border treaty in the international community, and it is under that basis that Peru holds negotiations with Ecuador. It would be appropriate for the civilian power, which will be headed by Abdala Bucaram in a few days, to make this clear to the subordinate institutions.

Venezuela

Venezuela: Colombian Explanation on Samper Speech Accepted

PA2407032096 Caracas Venezolana de Television Network in Spanish 0200 GMT 23 Jul 96

[Report by Jose Vicente Antonetti]

[FBIS Translated Text] The Colombian Embassy in Caracas has described as unfortunate the confusion resulting from President Ernesto Samper's speech last Saturday. The Embassy pointed out that the speech made no reference to binational relations with Venezuela. A copy of President Samper's speech was sent to the Venezuelan Foreign Relations Ministry to support this statement.

Colombian Ambassador Guillermo Alberto Gonzalez, however, stated that such references are indeed contained in a report, which was prepared by the Presidential Advisory Board for National Security and Defense, which was presented to the Congress Secretariat.

[Begin Gonzalez recording] That publication is simply an administrative report. It is the responsibility of the presidential advisor who voiced those views — and exclusively reflects the advisor's opinions. [end recording]

Foreign Relations Minister Miguel Angel Burelli Rivas was pleased with this apology.

[Begin Burelli recording] Venezuela accepts the eloquent explanations given by the Colombian Government. [end recording]

Colombian Ambassador Gonzalez hopes this incident will not affect the binational summit scheduled to take place in Venezuela.

Venezuela: Petroleum Corporation President Interviewed

PA2307204396 Caracas Venezolana de Television Network in Spanish 1530 GMT 15 Jul 96

[Interview with Venezuelan Petroleum Corporation President Juan Zsabo, by news director Maria Eugenia Ramirez at the Venezolana de Television studios in Caracas — live or recorded]

[FBIS Translated Text] [Ramirez] Our guest today in "The News" is Juan Zsabo. Welcome. He is the president of the Venezuelan Petroleum Corporation [CVP], an affiliate of PDVSA [Venezuelan Petroleum Inc.]. He is the person in charge of conducting negotiations aimed at signing eight contracts under what oil industry circles call profit sharing. We will speak about the opening of the oil market, and, specifically, about the important areas chosen for oil exploration and production. Welcome.

[Zsabo] Maria Eugenia, thank you for having me. It is my pleasure to be here with you.

[Ramirez] What do the contracts include and what specific sites around the country are already slated for exploration and drilling? I would also like you to brief us on the current process to open the oil market to private investment.

[Zsabo] Well, this latest phase, which is probably the newest, deals with exploration under risk and oil production under the system of profit sharing. Basically, it is a significant part of the general opening process which began several years ago. It includes other projects such as the operational agreements, 14 or 15 of which are already operating in the country and producing a total of 130,000 barrels [words indistinct]. In addition, there are the joint ventures along the banks of the Orinoco strip, where two projects have been approved by the National Congress. Three other projects are now under discussion and will be submitted to the Congress for consideration soon. The contracts are very significant, because this is a new system where eight areas around the country have been chosen. Some of them are located in the western part...

[Ramirez, interrupting] In which states will exploration take place?

[Zsabo] The region of La Ceiba is located in the states of Trujillo and Zulia. Then there is the region of San Carlos, which is between the states of Cojedes and Portuguesa. There are some regions in the interior portion of the country as well, such as the region of Guanare, which is a part of Portuguesa State near the Andes Mountains. We have five other areas: two in the Gulf of Paria, one in [indistinct], state of Monagas, and in the eastern part of the state of Sucre. After (Hojares), and in the territory of Delta Amacuro, we have [word indistinct] and Punta Pescador. After a considerable period of consultations between the Congress and the country's institutions in 1994, the framework of conditions for these contracts or agreements was approved on 4 July. A period of information gathering followed and candidates were weeded until 15 January 1995. Then the bidding for these areas was held on 22 January 1995 and 70 qualified companies participated. We have received 42 offers from eight consortiums comprising 14 companies.

[Ramirez] What countries are these consortiums from?

[Zsabo] From various countries; the United States, Japan, Canada, the UK, Venezuela [words indistinct]. What's important and I feel is interesting for the country, is that this process was extremely clear and everyone was very happy with the way it was conducted. There was no doubt as to the openness of the process. We are very proud at the way it was carried out.

[Ramirez] What are the short-term benefits that people can really see? According to what I understand this operation lasts between three to nine years. When, then, are we going to really see the results of this agreement with these international consortiums? When are we going to see this amount of money come in?

[Zsabo] I am going to reply, but give me a minute. After these enterprises [words indistinct] the contracts were submitted to the National Congress and they were approved on 19 June by an overwhelming majority. Then we went ahead and signed them last week. Benefits are several; one, which is perhaps less tangible, is that it means renewed confidence in the country by foreign investors. This is something we believe is very important in financial circles abroad, with companies of such reputation as Amoco, British Petroleum, Mobil, and others.

[Ramirez, interrupting] [words indistinct] approximately how much money are they investing in these projects?

[Zsabo] There was one part of the bid that came up with a tie and a bond had to be offered to untie it. This happened four times and $244.8 million was accumulated, which we are receiving this week. This will enter the treasury directly and represents approximately 78 billion bolivares for the monetary system.

The other effect is that as soon as the control committees are established, which have these contacts to secure national control, and the joint enterprises are established, their activities will begin perhaps in a couple of months, September or October. This is when they begin explorations, which is what we call at risk, which means that they will put up the money to explore. They are taking the risk of finding oil or not...

[Ramirez, interrupting] What about the other sectors that you mention?

[Zsabo] What is important is that it is not only the investment of 1 billion [currency not specified] we expect will be invested during the exploratory phase, but also the other benefits such as services and other related works connected with this activity. This is very important for the country's regional development.

[Ramirez] For every zone where exploration activities begin?

[Zsabo] Of course. Services will be required, wells, drills, which are directly related to oil. But in addition, people will have to stay in hotels and roads will have to built in addition to a series of activities. We consider that this means that one dollar is left for every dollar invested and translates to economic activity worth $3.

[Ramirez] $3 for what?

[Zsabo] For each dollar invested. If we are talking of $1 billion then this means economic activity of about $3 billion is generated.

[Ramirez] Does this include jobs in the sector?

[Zsabo] The oil industry does not really generate that many jobs, but of course it will have its small impact. Once oil is discovered, then of course comes the investments to develop this. We estimate that in these eight areas some 7 billion barrels of crude will be discovered. This means that some $11 billion will be required to develop its potential, which works out at between 1,500 to 700,000 barrels a day [figures as heard].

[Ramirez] How long, more or less, will this exploration phase take? In other words, how long will it take to discover the first well so as to have some sort of idea? Three or four years might go by before any oil is found.

[Zsabo] Contractually, the exploration period lasts between three to nine years. This does not mean that oil cannot be found after the first well is drilled. In any event, this is a process that will be seen as it goes along and development will go along depending on the discovery sequence. What is important is that to develop it some $11 billion will be required, which is a substantial amount for the national economy. Again, all this will generate economic activity in the region. This goes along with the industry's plans to make the Venezuelan oil industry, both the national Venezuelan Petroleum as well as these private capital industries, the national economy's driving force in order to emerge from the economic crisis we are currently in.

[Ramirez] What steps will be taken to supervise that specific social programs will be seen and that the people themselves will benefit?

[Zsabo] That question is not really for me. I only have to ensure that the money comes in. I can say, however, that this being a goal of the executive branch, I am sure that the Venezuela Agenda plan precisely attacks this problem to ensure that not only measures are taken to balance the macroeconomic situation, but also a series of social programs, the privatization of firms that are not doing well, a reduction of the size of the state, which is precisely aimed at doing what you mention: the best oil income distribution. There is something else that I mentioned before: There are three ways for money to enter the state. One is the traditional payment of royalties and income tax payments, another is a profitability bond that will be called (PAI). This is a percentage requested by the parties. The way this substantial amount is distributed will be regulated by a law that is now being debated by the National Congress. This will allow a distribution, I am not sure how it will work out in the end, but we understand that a part will go to the municipalities and the states and another possibly to a debt rescue fund. In addition, we have the CVP profits, as a participant in these consortiums...

[Ramirez, interrupting] How much will the CVP earn?

[Zsabo] I will tell you. This is the third way. The interesting part is that this is very convenient for the country. In addition to the traditional royalties and the income tax, which amounted to about 70 percent of the state's participation in the profits, we have to add the (PAI) and CVP profits, which means that 92 percent of the profits for these operations go to the state.

[Ramirez] 92 percent of the profits?

[Zsabo] Exactly. This contrasts with the current system, which is approximately 72 percent. Under these new schemes, not only do they take the investment risk, but 92 percent of the profits from oil exploration belong to the state.

[Ramirez] Many thanks to Juan Zsabo, president of CVP, which is a PDVSA affiliate, who has given an explanation on the eight contracts made on oil exploitation in our country.

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